

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



**PUBLIC
RELEASE**

***INTERNATIONAL TRADE
ADMINISTRATION***

*US&FCS Germany: While Generally
Productive, Its Priorities, Resources,
and Activities Require Reassessment*

Inspection Report No. IPE-9287 / July 1997

Office of Inspections and Program Evaluations



TABLE OF CONTENTS

	PAGE
EXECUTIVE SUMMARY	i
INTRODUCTION	1
PURPOSE AND SCOPE	1
BACKGROUND	3
OBSERVATIONS AND CONCLUSIONS	7
I. PROGRAM ACTIVITIES	7
A. Some Market Research Being Driven by Numbers Instead of Need	7
B. Country Commercial Guide Needs to Better Reflect Marketing Characteristics of Eastern Germany	9
C. Showcase Europe Impact Questionable and Should Be More Precisely Measured	10
D. Increased Travel and Tourism Effort Required	11
E. Performance Measurements Needed	12
F. Trade Fair and International Buyer Program Participation Need Reassessment	14
G. Technical Support and Training Inadequate	15
H. BXA Guidance Is Not Being Followed	17
II. STAFFING	19
A. Planning and Staffing Delayed by Poor Cooperation and Leadership ...	19
B. Draft Staffing Plan, While a Good Start, Is Inadequate	20
III. POST MANAGEMENT	22
A. Post Management Dedicated	22
B. SCO Priorities and Management Style Have Negatively Affected Post Management and Operations	23
C. Uneven Relationships with Other Agencies in Germany	24
D. Mixed Relationships with Other US&FCS Elements	25
E. ICASS Requires Greater SCO Involvement	25
F. Large Influx of PSCs Helps Operations but Has Disadvantages	27
IV. CONSTITUENT POSTS	28
A. Berlin	28

B.	Düsseldorf	33
C.	Frankfurt	36
D.	Hamburg	39
E.	Munich	41

RECOMMENDATIONS	44
------------------------------	-----------

APPENDIX 1: LIST OF ACRONYMS

APPENDIX 2: LIST OF US&FCS SERVICES

ATTACHMENT: US&FCS'S RESPONSE TO THE DRAFT REPORT

EXECUTIVE SUMMARY

Located in the center of Europe, Germany is the dominant economy on the continent. It is the United States' fifth largest trading partner. The 1990 unification of prosperous West Germany with relatively underdeveloped East Germany added 15 million people and expanded export opportunities for U.S. firms doing business in Germany. Conducting export related business in Germany is often straightforward for U.S. firms, though the assistance of the U.S. and Foreign Commercial Service (US&FCS) can play a key role in recruiting new-to-market firms and expanding the exports of veteran export companies. Germany is the trade fair capital of the world, attracting several million buyers annually, some of whom receive services from the US&FCS Germany post. US&FCS Germany has played a central role in Showcase Europe, an International Trade Administration initiative designed to increase the visibility and integration of individual European markets.

US&FCS Germany having long had one of the largest staffs of US&FCS overseas offices, currently has 47 staff, including 11 American officer positions (of which five are vacant). The post is facing a number of challenges that will affect its operations, products, services, and resources. Because US&FCS worldwide staffing has been stagnant in recent years, and ITA management has reallocated some resources to its high priority Big Emerging Markets, US&FCS Germany is faced with the challenge of maintaining and even increasing its effectiveness with fewer staff. It is also planning for the move of the German capital from Bonn to Berlin, scheduled to take place in 1999. This move will require US&FCS Germany to relocate its chief post and will have implications for both its resources and its operations.

For the most part, we found that US&FCS Germany delivers high quality services and products. The clients we spoke to are overwhelmingly pleased with its efforts, and US&FCS headquarters managers rate the post's products and services highly. We also found the Senior Commercial Officer (SCO) and other staff have developed several programs and special efforts to effectively promote U.S. exports to Germany and the rest of Europe. However, performance measures are not widely employed, making *effectiveness* difficult to measure, and as with any US&FCS post, "right sizing," or determining the proper mix and number of staff for this post, is difficult.

During our visit, we noted the following issues and concerns that warrant US&FCS management's attention:

- **While US&FCS Germany appears effective, certain products, services, and activities need improvement, reexamination, or justification.** We found that at least some market research products were being produced to meet perceived headquarters quotas, or other numerical goals, rather than to meet a discernable and identifiable demand. (See page 7.) In addition, the FY 1997 Germany Country Commercial Guide, an important counseling and planning tool for the embassy, is inadequate because it does not provide

sufficient information on trade in eastern Germany. (See page 9.) We also found that the impact of Showcase Europe—a major trade promotion initiative with significant post resources devoted to it—is questionable and should be measured more carefully. (See page 10.)

Also, US&FCS Germany needs to make an increased effort to promote travel and tourism. The 1996 shutdown of the U.S. Travel and Tourism Administration makes US&FCS efforts critical to enhancing the number of Germans visiting the United States. We agree with the post's decision to hire an employee who spends most of her time on travel and tourism. (See page 11.)

US&FCS Germany does not perform adequate follow-up on its products and services in order to measure the impact of its operations and its effectiveness in serving the American business community. Without this information, the post cannot determine:

(1) the relative importance and impact of its products and services, (2) whether to modify, add, or delete products and services, or (3) the appropriate amount of resources to devote to its programs or to the post overall. (See page 12.)

However, we think that the level of participation in US&FCS' trade fair and International Buyer Program activities is questionable and needs to be reassessed. Management agreed that the level of participation may be excessive and conceded that the impact of some events were questionable. By reducing overall trade fair and International Buyer Program efforts and focusing more heavily on events where US&FCS participation is the most critical, resources can be more effectively allocated. (See page 14.)

We also determined that technical support and training for the post's staff are inadequate, and likely degrading the post's productivity. (See page 15.) Finally, the post is not properly conducting pre-license checks according to the regulations of the Bureau of Export Administration, which issues export licenses for dual-use exports from the United States. (See page 17.)

- **US&FCS Germany must better plan and justify staffing decisions.** Needed changes to the post's staffing levels and distribution have been hampered by poor headquarters-post cooperation, lack of headquarters leadership, and lack of responsiveness by the SCO. It is only recently that the post developed a draft plan that addresses these issues. We agree with the post's draft restructuring plan that calls for more effective staff distribution and the elimination of the Leipzig satellite office. However, the plan is inadequate because (1) it may not result in any reductions in staff, which is the expressed desire of US&FCS headquarters, and (2) it does not adequately justify proposed staffing changes. (See page 19).

- **Though US&FCS Germany management is dedicated, improvements are needed.** While the SCO and the deputy SCO are hard working and dedicated, we are concerned that the post's overemphasis on certain priorities has had a negative impact on other aspects of post management and operations. Although devoting attention to high-level advocacy and policy issues, the SCO has not been adequately involved in important administrative and management matters. For example, by not appropriately addressing several administrative issues, the SCO created unnecessary friction with US&FCS constituent posts in Germany. In addition, the SCO's management style has led to some cooperation and coordination problems with US&FCS headquarters and other agencies. (See page 23.) The SCO also needs to involve himself more heavily in the changes to the administrative cost system (known as the International Cooperative Administrative Support Services, or ICASS) now taking place. (See page 25.)
- **Constituent posts are generally productive, but location, morale, and management weaknesses hamper their effectiveness.** Overwhelmingly, we found that the staff at the constituent posts are dedicated and hard working, and often the creators of innovative and effective programs. However, for a variety of reasons, morale needs improvement at many of the constituent posts. In addition, improved cooperation with the United States Information Service (USIS) and the location of US&FCS offices in Frankfurt and Berlin are issues that need management attention.
 - The relocation of the Berlin post requires careful reconsideration. US&FCS Berlin may soon be faced with vacating the space it currently holds in the Berlin Embassy Office. The post currently favors relocation to a particular site outside the main business district, but we believe that relocation should not take place until the post fully explores the possibility of collocating with USIS at its Amerika Haus, which is located near the main business district. (See page 28.)
 - The Düsseldorf Consul General has been helpful in furthering U.S. business interests in the city, but the post requires a full-time commercial officer to effectively manage the US&FCS employees and maintain a full-time U.S. commercial presence there. (See page 33.)
 - In Frankfurt, the US&FCS office has significant morale and management problems. The previous commercial officer had poor relations with USIS, thereby hampering US&FCS export promotion efforts and lessening the possibility of sharing office space with USIS. His successor will need to explore the possibility of collocating with USIS and ensure that several administrative and operational problems are rectified. (See page 36.)

- The proposed closing of the US&FCS post in Hamburg needs re-evaluation. Many other nations have increased their presence in Hamburg recently, in large part to take advantage of the recently expanded shipping and trade opportunities with the Newly Independent States and other nations. Hence, US&FCS should carefully examine the trade potential in the Hamburg area and re-evaluate its plans for staffing Hamburg. (See page 39.)
- The commercial officer in Munich needs to improve morale and agency relationships. Poor relations with the his own staff, the SCO, and the State Department have detracted from the efforts of this creative and hard working individual. (See page 41.)

On page 44, we offer a number of recommendations to address our concerns.



In responding to our draft report, US&FCS officials generally agreed with our observations and conclusions. US&FCS also provided some additional information, which we used to make minor modifications to our report, as appropriate. A copy of US&FCS's complete response is included as an attachment.

INTRODUCTION

Pursuant to the Inspector General Act of 1978 and the Omnibus Trade and Competitiveness Act of 1988, the Office of Inspector General conducted an on-site inspection of the U.S. and Foreign Commercial Service (US&FCS) operations in Germany during the weeks of September 9-13 and September 23-27, 1996. We visited posts in Berlin, Bonn, Düsseldorf, Frankfurt, and Munich. We did not visit the small posts in Hamburg or Leipzig, but we did (1) have extensive discussions with the recently retired Principal Commercial Officer (PCO) from Hamburg, (2) review all monthly reports for both sites for the last 12 months, and (3) hold extensive discussions about the Leipzig post with the Berlin PCO, who supervises the satellite office, and with the Germany Senior Commercial Officer (SCO).

We discussed our preliminary observations with US&FCS management at constituent posts and in Bonn, and with officials throughout US&FCS headquarters, including the Director General of US&FCS, the Deputy Assistant Secretary for International Operations, and the regional manager for Europe. We also held telephone discussions and asked follow-up questions of previous commercial officers who served in Germany in the recent past. Finally, when observations we made for Germany seemed more relevant to headquarters or US&FCS overall, we used these preliminary findings as a basis to follow up with relevant International Trade Administration offices, officials, and other agencies.

Inspections are special reviews that the OIG undertakes to provide agency managers with timely information about operations, including current and foreseeable problems. Inspections are also conducted to detect and prevent fraud, waste, and abuse and to encourage effective, efficient, and economical operations. By highlighting problems, the OIG hopes to help managers move quickly to address those identified during the inspection and avoid their recurrence in the future. By the same token, inspections may also highlight exceptionally effective programs or operations, particularly if they may be useful or adaptable for agency managers or program operations elsewhere.

PURPOSE AND SCOPE

The purpose of the inspection was to evaluate the effectiveness of US&FCS Germany in assisting U.S. businesses to expand their trade and marketing opportunities in Germany. We also examined the policies, procedures, and practices being followed by selected US&FCS constituent posts in Germany in carrying out assigned functions. This included determining whether established goals were being achieved, evaluating the economy and efficiency of operations, and assessing the post's compliance with applicable regulations and instructions. In addition, we analyzed US&FCS Germany's management of resources and their distribution among Germany's offices

and posts, and implementation of major US&FCS initiatives in Germany, such as Showcase Europe.

In conducting the inspection, we (1) reviewed the organizational structure and operating approaches used in administering activities at the posts; (2) interviewed appropriate officials with ITA, the State Department, and other agencies and organizations relevant to US&FCS operations in Germany; (3) examined pertinent files and records relating to the posts' operations; and (4) interviewed U.S. firms and individuals conducting business in Germany.

In Section IV, we report our impressions of the operations of the constituent posts we visited in Germany (Berlin, Düsseldorf, Frankfurt, and Munich,) and the two smaller offices we did not visit (the Hamburg constituent post and the Leipzig satellite office) for which data was reviewed and key officials interviewed. For each office, we have noted what we felt were the most significant issues affecting their operations. The fact that we are reporting a negative finding in one office and not another is not to say that the problem also does not exist in the second office, but that other problems appeared to be relatively more serious in one office than another.

The review was conducted in accordance with the Inspector General Act of 1978, as amended, and the *Quality Standards for Inspections*, issued by the President's Council on Integrity and Efficiency.

BACKGROUND

ITA's mission is to encourage U.S. exports by implementing a National Export Strategy, including by focusing on the Big Emerging Markets (BEMs), by providing industry and country analysis for U.S. business, and by supporting new-to-export and new-to-market businesses. ITA also seeks to ensure that U.S. businesses have equal access to foreign markets by advocating on behalf of U.S. exporters who are competing for major overseas contracts, and by implementing major trade agreements, such as the General Agreements on Tariffs and Trade, the North American Free Trade Agreement, and the Japan Framework. ITA also seeks to help U.S. businesses compete against unfairly traded imports and safeguard jobs and the competitive strength of American industry by enforcing antidumping and countervailing duty laws and agreements that provide remedies for unfair trade practices.

ITA is organized into four primary units. US&FCS provides business counseling through a network of 93 domestic offices (including 19 Export Assistance Centers) and 134 overseas offices and commercial centers in 69 countries. Trade Development is composed of industry sector specialists who are to provide information and analysis to U.S. exporters, policy-makers, and trade negotiators. Market Access and Compliance (formerly known as International Economic Policy) has country experts who primarily provide assistance for U.S. firms to acquire market access, maintain knowledge of current trade policy environment and issues affecting the ability of U.S. firms to gain a foothold on a foreign market and track compliance to U.S. trade agreements. The Import Administration safeguards American businesses and the economy from unfairly priced imports.

The US&FCS overseas posts perform a number of activities that are directed at improving the trade position of the United States, including (1) identifying trade opportunities for U.S. products, (2) finding potential representatives or agents for U.S. firms interested in penetrating a specific market, (3) providing business consultation for U.S. visitors at foreign posts and making business appointments for them to see potential trading partners or host government officials, (4) assisting in the implementation of U.S. export controls and other trade regulation activities, and (5) preparing market research on a country's "best prospects" industries. US&FCS posts often assist one another in regional initiatives and other multinational programs, including the BEM initiative and Showcase Europe.

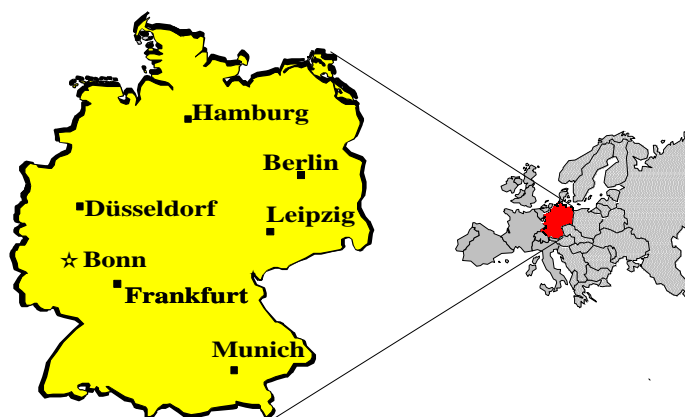
Germany occupies a Montana-sized area in the heart of Europe. Germany's 81 million population is well distributed throughout the nation, with the bulk living in small and medium-sized cities. The Federal Republic of Germany (West Germany) and the German Democratic Republic (East Germany) united in 1990. The permanent seat of government for the unified Germany will be moved from Bonn to Berlin; the move is scheduled for completion by the year 2000.

Germany's economy is the third largest in the world, with a \$2.4 trillion gross domestic product, and accounts for about a quarter of the Gross Domestic Product of the European Union.¹ Overall, the German market for U.S. exports is about \$32 billion annually. The greatest competition for U.S. exporters is from domestic producers in Germany, because of the conviction of many consumers and businesses that German products are superior.

With the 1990 unification, Germany began the major task of bringing the standard of living of Germans in the former East Germany up to that of the West Germans. Eastern Germany has a less developed economy than western Germany, due to its recent move from a primarily government-controlled economy to privately owned enterprises. Infrastructure weaknesses in eastern Germany present export opportunities for U.S. companies in many areas, including road construction services, and energy production products and services.

US&FCS Germany is one of the largest US&FCS overseas operations, in terms of both budget and number of posts. US&FCS Germany was budgeted \$3.15 million for FY 1996 and \$3.30 million in FY 1997 to promote U.S. exports in the 16 states of Germany. There are seven posts/offices in Germany located in the following cities: Berlin, Bonn, Düsseldorf, Frankfurt, Hamburg, Leipzig, and Munich. Leipzig is a satellite office with two employees, managed by the Berlin staff. (See Exhibit 1.) In July 1996, US&FCS closed its operation in Stuttgart. There are currently 11 American officer positions in Germany, five of which are vacant. There are also 24 Foreign Service Nationals (FSNs), excluding 3 vacancies, and 12 employees working under

Exhibit 1: US&FCS Office Locations in Germany



¹For calendar year 1995. Source: Fiscal year 1997 "Germany: Country Commercial Guide."

personal service contracts (PSCs). Between FY 1993 and FY 1997, the distribution of personnel types and location have changed, but the overall staffing level has not varied greatly, from 43 to 49 full-time workers. Both headquarters and US&FCS Germany agree that the budget is adequate for accomplishing the mission in Germany. The budget provides US&FCS Germany with flexibility in hiring, travel, and trade event activities. Non-American personnel costs are the largest component, at \$2.83 million of the \$3.30 million FY 1997 budget. FSNs cost \$2 million and PSCs, \$0.83 million. The US&FCS Germany posts' current staffing levels and their areas of coverage are shown in Table 1.

Table 1: Staffing Levels and Area of Coverage for US&FCS Germany

Office or Constituent Post	American Officers (vacancies)	FSNs (vac)	PSCs	Area of Coverage and Population	Selected Industries Covered by Post
Bonn	3	4	3	Supervises all other posts	Telecommunications
Berlin	2	3	4	States of Berlin, Brandenburg, Sachsen-Anhalt., and Mecklenburg-Vorpommern—10.8 million	Engineering services, construction equipment, building products
Leipzig ^a	0	2	0	Sachsen and Thuringia—4.6 million	Publishing
Düsseldorf ^b	0(1)	5(1)	2	North Rhine-Westphalia—17.7 million	Medical equipment, computer services and software, household consumer goods
Frankfurt	2(2)	3	2	States of Hessen, Rheinland Pfalz, and Saarland, parts of Baden-Württemberg—13.4 million	Travel & tourism, textiles, automobiles and auto parts
Hamburg	1(1)	1(1)	1	States of Bremen, Hamburg, Lower Saxony, and Schleswig-Holstein—12.6 million	Port & ship building, equipment, biotechnology, seafood
Munich	2(1)	6(1)	0	States of Bayern and parts of Baden-Württemberg—21.6 million	Aircraft and parts, processed food, electronics
TOTALS	10(5)	24(3)	12	All of Germany—80.7 million	
Total Staff = 46 (8)					

^aSatellite office of Berlin.

^bThe Consul General is not counted because the officer is on detail to the State Department and is filling a State Department position as Consul General.

Between FY 1993 and FY 1996, a large rise in PSCs, from 1 to 12, occurred, while the number of on-board American officers dropped by 4, or 36 percent, and the number of FSNs dropped by 9, a 27 percent decrease. Table 2 shows the changes in staffing levels.

The responsibilities of US&FCS Germany increased in 1990, with the addition of the former East Germany to its portfolio. The addition of eastern Germany also meant a different focus for that part of the US&FCS program, given the differing market conditions and industrial needs of the east. By reassigning staff from elsewhere in Germany and increasing the use of technology and other techniques, US&FCS continues to produce products and services that are rated highly by ITA and many customers. In addition, the 1996 closing of the US&FCS Stuttgart post (as the State Department was also greatly reducing its presence in Stuttgart), the significant reduction in the Hamburg staff, and minor staff changes at several other constituent posts also helped the post shift resources to provide coverage of the expanded area.

Table 2: US&FCS Germany Staffing by Type and Fiscal Year

Type of Staff	FY 93	FY 94	FY 95	FY 96	Current
American Officer (vacancies)	11(na) ^a	11(na) ^a	11(na) ^a	10 (5)	10(5)
FSN (vacancies)	33 (7) ^b	35 (6) ^b	29 (3)	24 (3)	24(3)
PSC	1	2	5	12	12
Totals	46^b	49^b	45	46	46 (8)

^a Not available

^b Includes one part-time, intermittent, temporary employee

OBSERVATIONS AND CONCLUSIONS

I. PROGRAM ACTIVITIES

In general, we determined that US&FCS Germany is effective in its operations and delivers high quality services and products. US&FCS Germany's clients were generally pleased with the quality and timeliness of its services and products. Our interviews with clients, discussions with post and headquarters staff, and review of documents show that US&FCS Germany's trade promotion products and services are highly regarded. For example, according to headquarters staff, the Industry Sector Analyses (ISAs) produced by US&FCS Germany are often used as models for other US&FCS posts. In addition, staff work at trade shows is generally perceived as helpful by U.S. companies.

However, we also have questions about some of the post's products. Specifically, some market research was driven by a perceived need to meet headquarters' quotas, International Marketing Insights (IMIs) and the Showcase Europe efforts are of unknown benefit, and the Country Commercial Guide needs improvement in order to be a more effective marketing tool. In addition, performance measurement efforts are virtually nonexistent, and the amount of post resources devoted toward trade fair and International Buyer Program activities needs to be reviewed for necessity and possible reduction.

A. Some Market Research Being Driven by Numbers Instead of Need

At least some market research was being produced by US&FCS Germany due to a perception at the post that US&FCS headquarters was demanding a predetermined number of reports or quotas, rather than to meet any real and identifiable demand for particular reports. Furthermore, neither the Senior Commercial Officer nor headquarters has any means for determining (1) who reads these reports, (2) whether the appropriate number are produced, or (3) which topics, industries, or markets are most in demand. It was therefore difficult to determine whether the post's market research program had the appropriate level of resources devoted to it or had its intended impact.

The SCO in Germany was persistent in his contention that headquarters was evaluating posts, at least in part, on how many products were being produced. He showed us examples of slides comparing numbers of IMIs, for example, that were distributed to all posts—the implication being that this is how Germany and other US&FCS posts were being judged. It was clear from interviews with staff throughout Germany and other American officers that the SCO believed that the number of products produced must be kept at a high level.

We were also told that some of the reports produced were of questionable usefulness to U.S. businesses. For example, in FY 1996, US&FCS Germany produced 25 ISAs, which are evaluations of industry components geared toward helping U.S. businesses learn about a specific export market, such as construction materials. However, several Germany staff indicated that some Industry Sector Analyses were too narrow in scope to be useful to a significant number of U.S. businesses. US&FCS Germany is now examining this issue and is making efforts to avoid choosing subsectors that are too narrow to produce substantial benefit. ISAs require time-consuming, in-depth research, often by a highly skilled Foreign Service National. ISAs should be chosen carefully to maximize the impact and use of scarce resources.

We also have questions about the quantity and value of US&FCS Germany's IMIs. For example, at the Berlin post, all staff members were required by their performance plans to produce at least two IMIs per month. In FY 1996, US&FCS Germany reported completing 136 IMIs, which are brief reports on specific foreign market conditions and upcoming opportunities for U.S. business on topics such as trade laws and regulations, trade show opportunities, and upcoming major projects and purchases.

While we saw many well-written International Marketing Insights, we also saw questionable ones that management agreed did not appear to fit a reasonable definition of marketing information. For example, one IMI reported what took place at a trade fair—giving no specific marketing opportunities or information. More importantly, neither post staff nor management could attest to the uses of the IMIs or their impact on trade. Staff and management further agreed that there was a sense that a quota of IMIs had been placed upon each office by Bonn management. The SCO stated that headquarters did not have a stated quota of market research, but that it is clear from comparisons of various posts around the world that “keeping the numbers up” is important. The perception that there are quotas for market research reports is shared by management at US&FCS Poland, a post we also inspected in September 1996.

Headquarters policy on market research needs to be clear, because it affects priority setting and use of scarce resources. All posts should have a clear understanding of which market research reports are critical to their viability and competition with other posts for resources. Headquarters officials, including the regional manager responsible for Germany, claimed no quota is placed on the number of reports produced by any post. However, if the post management believes a quota is in place, some of these reports may be unnecessarily produced solely to please headquarters.



In response to our draft report, US&FCS did not directly address our recommendation that the agency should issue guidance stating how post-produced products and services are to be used in assessing post performance. US&FCS did not disagree that there is a perception of quotas on IMI production for each constituent post. In addition, US&FCS stated that headquarters will

request that ITA's Export Promotion Services issue an advisory cable to all posts indicating the rationale for conducting ISAs and IMIs. While this may be useful, we reiterate the need for US&FCS to issue clear guidance on how products and services are to be used in assessing post performance.

B. Country Commercial Guide Needs to Better Reflect Marketing Characteristics of Eastern Germany

The latest Germany Country Commercial Guide (CCG) does not adequately reflect the unique characteristics of eastern Germany. Consequently, the CCG is of limited usefulness to U.S. businesses who may want to consider trade and investment in eastern Germany, nor can it be used effectively as a counseling tool by the Berlin post staff—whose primary responsibility is that region. Similarly, CCG information on eastern Germany is of limited usefulness to trade specialists at other posts or in US&FCS domestic offices who may also counsel U.S. businesses on market opportunities in the region. US&FCS Germany is required, as are all posts, to take the lead in preparing a CCG that reflects market, trade, investment, economic, political, and demographic information that is of direct interest and value to the U.S. business community.

The CCG focuses on German trade fairs as the primary vehicle for marketing U.S. products, without recognizing that this is not the case in eastern Germany. The Berlin post maintains that the primary way of penetrating eastern Germany is through trade missions, which it conducts jointly with the German government. Other US&FCS sources of information on eastern Germany stressed that U.S. companies can best do business in the east by buying business facilities outright, opening branch offices, or forming joint ventures. Furthermore, the CCG does not distinguish between the country, economic, and market data for the former East and West Germany or otherwise help a U.S. business learn important differences between the two areas of Germany. This type of information could be useful to U.S. businesses as well as to US&FCS trade specialists in Germany and in domestic field offices.

Eastern Germany is unlike highly developed and decentralized western Germany. It has a less developed economy, unemployment is higher, and there has been significant environmental degradation. In addition, the economic infrastructure in the east is far below that of the west and still requires an enormous infusion of capital. In fact, the time required to bring the economy and infrastructure of eastern Germany on a par with that of the west was greatly underestimated. It may take decades. It is within this framework that US&FCS Berlin operates and provides products and services to U.S. businesses seeking to enter or expand their participation in the eastern German market.

The FY 1997 CCG only briefly discusses eastern Germany's economy and does not focus on best prospects for the region. For example, the CCG indicates that the best prospects for U.S. business are computer software, computers and peripheral equipment, electronic components, franchising, computer services, aerospace, industrial chemicals, drugs and pharmaceuticals, and plastics. However, recent US&FCS reports on the market in eastern Germany indicate that its best prospects are architectural and engineering services, housing and renovation services, power generation equipment, medical equipment, environmental services and technologies, business services, tourist services, and leisure time facilities. These eastern Germany market opportunities need coverage in the Germany CCG.



US&FCS concurred with our recommendation that its Germany CCG include a section that focuses on the eastern Germany market. However, we believe that the new section should be an integral part of the guide, rather than an addendum, as the US&FCS response states. The potential for growth of U.S. exports to eastern Germany is large, and should be reflected in the main body of the guide.

C. Showcase Europe Impact Questionable and Should Be More Precisely Measured

US&FCS Germany has devoted significant resources to Showcase Europe in the last two years, resulting in many activities and events, but having an uncertain impact on U.S. exports. The Showcase Europe strategy attempts to coordinate US&FCS efforts in order to approach the European market on a regional basis and to move U.S. firms already exporting to one or more European markets into additional markets. Breaking trade barriers and accelerating integration of the economies of Central Europe, Russia, and the Newly Independent States are also the goals of Showcase Europe.

US&FCS Germany has put a great deal of effort into developing and implementing Showcase Europe. For example, US&FCS Germany coordinates the Showcase Europe medical sector (one of the five sectors upon which the initiative focuses) activities and is hosting a conference on Bosnia aimed at developing trade with that nation. US&FCS Germany staff stated that Showcase Europe events are a priority in their work plans. Germany's quarterly reports highlight Showcase Europe contributions.

While Showcase Europe activities are plentiful and have increased cooperation within US&FCS, exports resulting from Showcase Europe, are apparently difficult to document. For example, "Showcase Europe Highlights —April 1995-May 1996" (a document produced by US&FCS's European posts) did not list export actions or reductions in trade barriers that could be linked to Showcase Europe. Several actions led to increased U.S. exports, but the actions were not clearly

the result of Showcase Europe. Cables, trade fair reports, and interviews with US&FCS staff in Germany and the United States indicate that Showcase Europe has increased information exchange and cooperation among European posts, which could lead to more efficient and effective export efforts.

Since it is unclear whether Showcase Europe is effective, and given that a significant amount of resources in US&FCS Germany and other European posts are devoted to the initiative, we think that US&FCS should develop a method to more accurately measure its costs and benefits. For example, staff could report the hours and outlays devoted to Showcase Europe work that is beyond what would be spent in the course of normal post duties. After the impact is measured, we believe that Germany should make appropriate adjustments in its commitment.



US&FCS concurred with our recommendation that US&FCS Germany and other European posts should develop a method to accurately measure the impact, costs, and benefits of Showcase Europe. US&FCS indicated that the Showcase Europe steering committee recognizes this problem and will address it during the summer of 1997.

D. Increased Travel and Tourism Effort Required

After the 1996 shutdown of Commerce's United States Travel and Tourism Administration (USTTA), US&FCS Germany acted responsibly in assigning staff to the tourism industry. US&FCS Frankfurt hired a PSC to focus on travel and tourism, as it would any other important sector.² The decision to have one staff member spend about 75 percent of her time on travel and tourism, management believes, is justified because the United States is a top destination for German tourists and Germans are among the world's biggest spenders on tourism.

Germany is, in fact, the fifth largest generator of visitors to the United States, with 1.8 million arrivals in 1995, and fourth in travel exports for the United States, generating \$5.5 billion for the U.S. travel and tourism industry. The United States benefited from a \$2.1 billion travel surplus with Germany in 1995. Without the travel surplus, the 1995 U.S. trade deficit with Germany would have been \$16.6 billion, instead of \$14.5 billion. Therefore, we agree with US&FCS

² Until 1996, USTTA operated nine regional field offices, including one office in Germany. USTTA employed six full-time staff in Germany. The Congress allowed for funds to integrate five officers, worldwide, into the US&FCS overseas offices. Germany was selected for one of these slots. However, the USTTA employee who was scheduled to take the position unexpectedly retired. ITA's newly created Office of Tourism Industries now is responsible for fostering tourism trade development.

Germany's decision to give travel and tourism a prominent industry focus, treating it as a traditional industry important to export expansion and creation.

The "Visit USA Committee" in Germany is located in Frankfurt and is dedicated to promoting the United States as a destination for German tourists. By encouraging German tourists to travel to the United States, the committee may lead to additional U.S. travel and tourism, thereby increasing U.S. employment and a reduced trade deficit. Members of the committee include U.S. state representatives, airline and hotel representatives, and tour operators. The committee was originally formed by USTTA. Before his departure, the Frankfurt PCO was the vice chairman of the committee. However, the post's relationship with this critical tourism committee is not good, due to the poor working relationship between the former PCO and the committee.

The lack of cooperation may have resulted in fewer events where the United States was promoted and fewer opportunities for the PCO and the PSC covering travel and tourism to consolidate critical working relationships with the German travel industry. The deputy SCO in Germany recognized that there was a problem in this area and, since our field work, has visited Frankfurt and made efforts to improve the relationship. We encourage further efforts to build better relations with the committee.



US&FCS concurred with our recommendation that the Frankfurt constituent post should reestablish an effective working relationship with the German Visit USA Committee to better promote U.S. travel and tourism. We endorse recent efforts made since our visit to promote a more productive relationship.

E. Performance Measurements Needed

US&FCS Germany does not perform adequate follow-up on its products and services in order to measure the impact of its operations and its effectiveness in serving the American business community. An effective analysis of quantitative and qualitative data should result in a more informed view of program effectiveness. Without this information, the post cannot determine: (1) the relative importance and impact of its products and services, (2) whether to modify, add, or delete products and services, or (3) the appropriate amount of resources to devote to its programs or to the post overall. Without such analyses, coupled with the lack of a time management system, it is virtually impossible for the post to effectively plan its work and have a sound basis on which to adjust its activities and resources.

There is neither a requirement nor a specific mechanism to obtain feedback on post services, such as business counseling, trade event support, Gold Key service, or trade missions. There are also

no systematic feedback mechanisms for products such as IMIs, ISAs, Trade Opportunity Program (TOPs), or Agent/Distributor Service (ADS). Trade specialists indicated that feedback from US&FCS clients is usually initiated by the clients, is sporadic, and depends upon the specialist's initiative.

A headquarters unit, Export Promotion Services (EPS), collects some product feedback, but we have concerns with this approach. We believe the techniques/tools used by EPS do not accurately capture appropriate feedback on a post's performance. We were told that performance was measured by reporting requirements in the post's quarterly report. It is, however, clear that the quarterly reports are primarily focused on *numbers* of products, services, or export actions. Merely reporting the quantity of IMIs produced, or Gold Keys rendered, ADSs completed or businesses counseled tells neither Bonn nor headquarters management about the quality of work produced or its impact on U.S. business interests in Germany. We previously reported that US&FCS needs to revise and improve its reporting of performance and follow-up with clients.³

In addition, we believe EPS quality assurance surveys are inadequate for post needs. EPS managers said that their surveys captured only a small fraction of the clients and customers of US&FCS, were statistically invalid (and therefore not reliable enough to project the results to all posts worldwide), and had an extremely low response rate. For example, we were told that in a recent survey of 150 TOPs clients, only 13 responded (8.7 percent). Furthermore, officials indicated that because the response rates were so low, there was no country-specific reporting on any products and services, let alone responses that would provide data for each constituent post.

In a time of resource constraints worldwide, US&FCS Germany cannot determine whether it has the appropriate amount of resources or the right mix of programs, products, and services in the absence of reliable and consistent feedback from its clients. Without this information, changes in resource and program mixes are made without regard to reliable quantitative data. We believe it is important for US&FCS Germany and headquarters to work together to determine how to improve performance measurement and feedback on US&FCS Germany's services and product effectiveness.



US&FCS agreed with our recommendation that it develop meaningful performance measures for all major post activities, services, and products. In its response, US&FCS points out that the need to develop such measures is an US&FCS-wide problem. We agree, and will make several other observations about this issue in a soon to be issued report entitled *Recent Overseas Inspections Found US&FCS Delivering Services Effectively But Facing Internal Constraints* (IPE-9178).

³US&FCS Posts in Canada (IPE-7875), Office of Inspector General, U.S. Department of Commerce, February 1996.

F. Trade Fair and International Buyer Program Participation Need Reassessment

US&FCS Germany trade fair activity is heavy, and many believe some of this activity could be curtailed without harm to U.S. exports. In FY 1996, US&FCS Germany participated in about 50 trade fairs. Many of the trade fairs are the top industry event of their kind, attracting thousands of worldwide exhibitors and hundreds of thousands of visitors. At some events, export deals are made on the trade fair floor, while at others, most sales occur after the event. US&FCS Germany assists U.S. firms at trade fairs by: (1) attracting U.S. companies to participate; (2) obtaining exhibition space in better locations and/or at rates under that which an individual company could obtain; (3) arranging meetings between U.S. exhibitors and potential buyers; and (4) providing a variety of business services including translators.

Most of the top trade fairs have privatized U.S. recruitment. This means that a U.S. trade show promotion company solicits U.S. firms to participate in a given trade fair. For many of these events, some American officers and FSNs—while highly supportive of US&FCS Germany trade show efforts overall—question the added value of US&FCS participation. In particular, they question whether US&FCS needs to assist firms that have attended the event before, or are well established in the German market. Other trade shows where US&FCS Germany participation could be curtailed are small events where export sales resulting from US&FCS input are likely to be quite small and without good prospects for substantial improvement. US&FCS Germany management indicated that they will be evaluating the usefulness of each trade fair and resources devoted to them. We believe that a review is timely and necessary, particularly as headquarters and the post are considering long-term staffing plans for this post. (See page 19.)

We also question the usefulness of the effort and funds expended toward International Buyer Program (IBP) events (formerly known as the Foreign Buyer Program). The IBP attempts to increase U.S. exports by bringing buyers, prospective representatives, and distributors from abroad to important U.S. trade shows. US&FCS Germany could provide no data to demonstrate the impact relative to the cost of the IBPs, although noting that many are conducted every year (11 in FY 1996). A number of US&FCS Germany's American officers and foreign staff, present and former, questioned the usefulness of the program and its relative impact as compared to the cost of travel and loss of staff time when staff are accompanying foreign delegations to U.S. shows. We believe that the level of resources devoted to this activity and the impact of these shows need to be carefully analyzed by US&FCS Germany as part of an overall reassessment of its resource allocation.



US&FCS concurred with our recommendation that US&FCS Germany reassess the level of participation in trade fairs and International Buyer Program activities.

G. Technical Support and Training Inadequate

US&FCS Germany is moving to upgrade its information technology capabilities, but its operations are plagued by a poor infrastructure and a lack of adequate support from headquarters. Furthermore, its Internet site could be used more effectively to support its operations. The post's problems have included some personal computers that are incompatible with Windows software, a lack of adequate system hardware and software support, inadequate telecommunications, and lack of confidence in or use of the Commerce Information Management System (CIMS). Many of these problems occurred after headquarters eliminated Regional Area Coordinators (RACs), who were responsible for providing information technology support to the overseas posts. We were shown dozens of examples of unanswered E-mail requests for help on computer-related problems sent by the post to US&FCS headquarters. The locally designated System Administrators (FSNs who are already trade specialists) admittedly did not have the background, training, and time to adequately support information technology operations.

1. Information Systems

Post management is moving to address a number of problems in the telecommunications area and upgrading system capabilities. Several PCOs have arranged for local support, and the SCO is considering obtaining a Germany-wide support contractor to deal with systems issues and to perhaps replace local contractors. US&FCS Germany acted properly to regain critical technical assistance capabilities lost due to elimination of the RACs. Unfortunately, US&FCS Germany, including all constituent sites we visited, is still hampered by the loss of the RACs.

Two issues have not been resolved. First, CIMS use is still required locally, even though it is not considered useful for post operations by either US&FCS Germany or US&FCS headquarters. FSNs, PSCs, American officers, and headquarters officials agreed that the system has no practical use to the foreign posts. We were told that CIMS was used almost exclusively by US&FCS domestic offices, who maintain client/industry lists on the system. There is a question of whether CIMS should still be supported at this site (and presumably other US&FCS sites worldwide), given that there is no demonstrable need or use for this system.

Second, it is unclear whether the local computer support contracts are cost-efficient, or will be able to address each office's needs. At the time of our review, US&FCS headquarters was developing a US&FCS-wide policy on information technology support—defining what headquarters will provide and what sites will be expected to provide for themselves. This is a radical departure from the past when most support was provided by headquarters directly or through its RACs. Resolving the question of what support, if any, headquarters will provide to its posts will determine what type of support should be obtained by US&FCS Germany to address the information technology needs of its offices.

2. *Internet Activities*

We were impressed that US&FCS Germany has taken steps toward constructing an Internet-based website in order to promote its operations.⁴ We were told that the website, commonly referred to as the Berlin homepage, was being developed in the Berlin office and would eventually evolve into a US&FCS Germany-wide website. Although the homepage and the website are potential assets in export promotion, they need immediate support. For example, the homepage was out of date when we visited the office (and, in March 1997, was still out of date and had not been updated since September 1996), and lacked many needed features to make it more useful and effective. We are concerned that no staff member in the Berlin office is assigned to upgrading the website, since the PSC who was developing it resigned and US&FCS headquarters did not approve rehiring for that position. There is no other staff member proficient in maintaining or expanding a website.

The homepage could effectively promote US&FCS Germany's services, products, and trade events and link to other ITA units, multiplier organizations, and district office sites. For example, the homepage could promote a trade show on the site and provide links to other ITA and non-ITA websites. The homepage requires regular maintenance to provide customers with complete and timely information; indeed, an out-of-date website can have the opposite effect of what is intended—driving away potential clients. Resources should be devoted if post management intends to make it a viable, up-to-date trade promotion tool.

3. *Technical Support and Training*

Given the wide ranging locations and increasing needs of US&FCS Germany, management needs to make technical support a higher priority. Many of the problems that US&FCS Germany faces with its information technology support are indicative of imprudent US&FCS decisions. Support for this function was decentralized by headquarters without adequate support or guidance to posts on how to address their ongoing and increasing technical needs. Fortunately, Germany has available sources of local support that many expanding or emerging markets do not have. However, the support problems that we observed in Germany were substantial and harmful to its operations. We are commenting on this issue more broadly in a report on issues common to US&FCS posts worldwide that will be released shortly after this report.

Professional development and software training needs for all the posts in Germany are also significant. For example, some sites have poor E-mail capability and many staff members lack adequate software and market research skills. One FSN reported no training of any kind for more

⁴ <http://www.berlin-bear.de/Gov/USA/US&FCS/Index.htm>

than 10 years. Regardless of the skill level of an individual employee, it would appear prudent to require minimal training so that staff members can keep their computer and research skills current.

Long term gains in productivity often result from staff receiving timely training. For example, software training makes staff more efficient, improves communication with headquarters, improves morale, and gives post staff more time to promote U.S. exports. Trained staff will be less busy with software-related work, such as E-mail and word processing, and can therefore focus more on direct assistance and post priorities. Other training needs identified by US&FCS Germany include the Internet, administrative, budget and finance, and commercial specialist training in the five priority sectors of Showcase Europe. We are pleased that regional management has set a goal to focus attention on training to help officers and FSNs do their jobs more effectively and efficiently. We believe that post management and headquarters need to immediately coordinate software training with other European posts to take advantage of reduced costs or other efficiencies created by joint efforts.



US&FCS concurred with our recommendation that it make provisions for training needs. We find it encouraging that US&FCS Germany management recognizes the need for improved training and that computer training has been included in the Bonn local computer maintenance contract. In its response, US&FCS also notes that another positive step to be taken by US&FCS Germany is the preparation of training plans for all staff and managers.

US&FCS also concurred with our recommendation that US&FCS Germany devote more resources to maintaining its Internet site. As US&FCS points out in its response, US&FCS has recently made efforts to improve the US&FCS Germany website and the Showcase Europe website. Despite maintaining a Showcase Europe site, US&FCS Germany should ensure that its own homepage is kept up to date, contains appropriate links, and remains useful.

H. BXA Guidance Is Not Being Followed

The Department's Bureau of Export Administration relies on the US&FCS posts to assist in fulfilling its export licensing and control responsibilities. Specifically, BXA requests the posts to perform Pre-License Checks (PLCs) and Post-Shipment Verifications (PSVs) to verify the legitimacy of certain export transactions and provide vital information to help BXA make decisions on specific export license applications.

BXA issued new guidance for conducting end-use checks in March 1995 and published a revised handbook, *How To Conduct Pre-License Checks and Post-Shipment Verifications*, in March 1996. The new guidance and handbook established more stringent criteria for conducting end-

use checks, such as conducting the checks in person, and greatly restricting the circumstances in which such checks can be carried out by FSNs. For example, the handbook states that FSNs are not to conduct end-use checks except in extremely limited circumstances and only with advance BXA approval.

In Germany, US&FCS is not authorized to perform PSVs. For these checks, BXA sends its requests to the U.S. Customs Attache in Bonn, and the request is then forwarded to German Customs. Generally, a U.S. Customs agent is allowed to accompany the German Customs officials on a PSV. BXA did not have any problems with Customs' handling these checks and the information it reported.

However, a review of the PLC records in Germany indicated that these checks were not being conducted according to BXA's guidance. Specifically, FSNs conducted all of the six PLCs conducted in FY 1995 and 1996. US&FCS Germany officials told us they had never received a copy of the March 1996 handbook and were unaware of the policy not to use FSNs without permission from BXA. We informed them that they should stop using FSNs until they sought a waiver from BXA. BXA officials were unaware that FSNs were conducting these checks and informed us that although they were generally satisfied with the information from the checks, US&FCS Germany must seek a waiver in order to have FSNs conduct the checks.

Despite US&FCS Germany's non-compliance with this part of BXA's guidance, our review of the post's files revealed that the requests for these services were conducted in person and the requests were responded to in a timely manner. In addition, there appeared to be an adequate amount of information-gathering for the checks. The files often contained correspondence with the subject company or organization and copies of documentation of the transaction at issue. In addition, other agencies within the embassy, such as Customs and the State Department's Economic Section, were consulted on every check.



In responding to our draft report, US&FCS generally agreed with our recommendation that, where appropriate, US&FCS Germany seek a waiver from BXA to allow FSNs to conduct Pre-License checks, and, in the interim, have American officers conduct pending checks. However, we caution the post to only use American officers during the interim period. BXA officials stated that PSCs, *regardless of their citizenship or security clearance*, should not perform end-use checks.

II. STAFFING

US&FCS can no longer afford to delay critical staffing decisions on Germany. While headquarters maintains that resources should be reduced in Germany and redistributed elsewhere, the long-term planning process for rational redistribution of staff has been hampered by a lack of cooperation between headquarters and US&FCS Germany. It took US&FCS Germany more than a year after a headquarters request for a staffing plan to respond with a draft plan. We believe that the post's plan, transmitted to headquarters in December 1996, is a positive first step and a basis from which to begin serious deliberation on the current and long-term needs for resources in Germany.

However, while we agree with elements of the draft restructuring plan that call for more effective distribution of existing staff and elimination of the Leipzig satellite office, the plan is, generally, inadequate because (1) it may not meet the expressed desire of US&FCS headquarters for reductions in staff, and (2) it does not adequately justify proposed staffing changes.

A. Planning and Staffing Delayed by Poor Cooperation and Leadership

Key planning and staffing decisions have been stymied by poor cooperation between US&FCS Germany and the regional manager for Europe, resulting in delays in implementing the appropriate level of resources for Germany in both the near- and long-term. A major reason for the lack of cooperation is that US&FCS management would like Germany to reduce what it believes are excessive resources, while US&FCS Germany is reluctant to draft a plan containing significant reductions in staff that the SCO thinks it needs.

We believe that a near- and long-term plan for US&FCS Germany staffing is critical, especially due to the impending move to Berlin, the large number of PCO vacancies, and the uncertain staffing status of the Hamburg constituent post. Because of German law, it is difficult to quickly remove employees from service. Therefore, it is more imperative that reductions be handled with a long-term view so that attrition can be used to meet any necessary reductions. US&FCS management and US&FCS Germany need to agree as soon as possible on staffing targets and transfers of positions between offices.

Unfortunately, headquarters and US&FCS Germany remain at an impasse on the staffing plan. Communication between regional management and the SCO on the need for a near- and long-term staffing plan resulted in little progress until recently. Regional management has not made decisions on staffing, preferring to first receive a plan from US&FCS Germany. The move to Berlin and government emphasis on restructuring were well known when headquarters first requested a restructuring plan from the post in 1995. In December 1996, after more than a year of delay, the SCO and his deputy submitted a staffing and deployment plan to US&FCS headquarters. US&FCS management shared many of our concerns about the plan's inadequacies.

However, US&FCS management has not established a date for a reconstituted staffing plan based upon the regional manager's visit and discussions concerning the need for staffing reductions and redistribution with the SCO in January 1997. As we note in the following section, while aspects of the plan are useful, a number of problems require resolution between the post and headquarters.

B. Draft Staffing Plan, While a Good Start, Is Inadequate

We agree with several elements of US&FCS Germany's draft staffing plan, particularly the need to redistribute the staff among offices in Germany and to close the Leipzig satellite office. We also agree with the draft plan's statement that some posts in Germany need more staff and others less. As we discuss below, the Bonn-Berlin merger necessitates a major reconsideration of resource distribution Germany-wide. We also note that the plan proposes adding resources to the Frankfurt office due to an increasing workload.

We agree with US&FCS post and headquarters management that maintaining the Leipzig office is not justified, even though the staff there is competent. The office is currently staffed by two FSNs, who mostly counsel local firms. Few success stories or export actions were reported by the post, and the primary industry covered by the office (publishing) holds its main trade show in Frankfurt. We were told by US&FCS Germany management that the State Department is also questioning the efficacy of maintaining the consulate in this city. We were also told that without on-site supervision, the US&FCS staff is often "dragged" into doing work for the State Department that is unrelated to the promotion of U.S. exports.

However, we believe that the plan, while a good basis for discussions about resources, has two primary flaws that must be addressed.

1. Overall Staffing Level Does Not Meet Headquarters' Desire for a Real Reduction

The draft staffing plan shuffles a number of positions between offices, but does not propose any significant reductions after the Bonn-Berlin merger. Many of the reductions proposed are in vacant positions that were not likely to be filled in the current environment. Positions abolished in Leipzig merely transfer to Berlin to take the place of two administrative positions that would be eliminated. Moreover, the proposed cuts are modest, resulting in an overall staffing cut of about 5 percent, at most. This does not meet the intent of US&FCS headquarters, which believes that resources in Germany are excessive and need to be significantly reduced.

In fact, pending a review of staffing in Hamburg, the plan may end up with no reduction of staff in Germany at all. In Hamburg, there are currently two staff but no American officers. This staffing level may not be optimum, given that two staff may not constitute a critical mass for success in

Hamburg. The SCO favored eliminating the Hamburg office. Now, however, the draft plan recommends monitoring US&FCS Hamburg for 12 to 18 months before making a final recommendation. It's possible that, according to the plan, resources could be proposed to be added to the constituent post as a result of this review.

The Bonn-Berlin merger should make it possible to eliminate several administrative positions held by FSNs and PSCs due to efficiencies gained there. However, the plan does not identify cuts that can be made in the near future, before the consolidation of Bonn and Berlin, and the elimination of the Leipzig post. This aspect of the plan in particular does not meet the expressed desire of US&FCS headquarters to make reductions in the near-term in resources for Germany.

2. *Plan Does Not Adequately Justify Proposed Staff Changes*

The proposed staffing plan did not provide adequate information to justify many proposals to move, reduce, or even add resources to various locations. Without this information, it is not possible to determine whether the proposed staffing levels overall and in any particular office are optimum and necessary. We found a number of aspects of this plan puzzling and inadequately explained.

For example, when the move occurs, the draft plan proposes eliminating the Berlin deputy position while creating a new "swing position." This slot would be used in a three-way capacity—for Frankfurt responsibilities, special projects, and back-up as needed for temporary vacancies. The draft plan does not adequately explain why the Berlin deputy PCO slot needs to remain until the capital moves to Berlin. We believe that the recently assigned (February 1997) Berlin deputy should be considered for a PCO assignment elsewhere in Germany. We noted that the Berlin post operated well without a deputy. (See page 28.) The draft plan notes that US&FCS Düsseldorf and Frankfurt are extremely busy and that Hamburg has no American officer, but does not discuss the obvious possibility of switching the Berlin deputy PCO permanently to one of these posts.

In another case, the transfer of a trade specialist position from Bonn to Frankfurt is proposed, but not until the relocation of the chief post to Berlin. If the need is solid for the Frankfurt position, a transfer sooner than the move to Berlin appears to be called for. Waiting for the German government to complete the move of its capital may not be prudent because this will not take place for at least two years, and perhaps as long as five.



US&FCS concurred with our recommendation that a detailed Germany staffing plan should be implemented. However, we are concerned that US&FCS headquarters has not established a firm time frame for implementation. As noted in this section of the report, the *lack of resolve* by

US&FCS headquarters contributed to the harmful delays in production of a Germany staffing plan. Therefore, we emphasize the need for headquarters to establish a six-month time frame for implementation of the staffing plan.

III. POST MANAGEMENT

The US&FCS Germany staff, including the SCO, has put great effort into promoting U.S. exports to Germany. However the SCO spends much of his time on some policy issues and travel and therefore has too little time for administrative activities. Bonn management also needs to improve its interaction with constituent posts, and cooperate and coordinate more effectively with US&FCS headquarters and other agencies, including the United States Information Service. In addition, US&FCS Germany needs to stay involved in managing the new interagency administrative costs system. One month before our inspection, the US&FCS Germany deputy commercial officer left the post to begin work with US&FCS Venezuela. The incoming deputy began her duties at post only two weeks before our arrival in Germany. Therefore, while we interviewed both the former and current deputy, and have comments on their performance, we did not extensively review the activities of either deputy. The PCOs' management of the constituent posts is reviewed in Section IV of this report. (See page 28.)

A. Post Management Dedicated

The SCO is extremely knowledgeable about trade policy and issues. He is dedicated and competent, devoting a great deal of time to the position. He has shown himself to be effective in outreach to the business community. In addition, he has established strong working relationships with German government officials, and has emphasized the need for dedication and innovation by his staff. He has also provided each constituent post with a separate, and largely adequate, budget.

The deputy quickly assimilated to her new assignment in Germany in September 1996, is knowledgeable of her duties, and was already contributing significantly to the operation when we were there during our field work. Most staff in Bonn and the constituent posts are complimentary of both the deputy and the SCO, and praise the SCO for his energy, enthusiasm, intelligence, and knowledge in many areas.

The staff in Bonn manages US&FCS Germany's policy, advocacy, and promotion efforts, manages the constituent post staff, and performs many administrative functions, but performs little industry-related work. The staff in Bonn is currently 10—3 officers, 4 FSNs, and 3 PSCs. This is more than 25 percent of the Germany staff. The officers and staff are generally knowledgeable and often take the initiative and address issues in an innovative manner. For example, US&FCS Bonn staff have been instrumental in developing the Showcase Europe initiative.

Staff throughout Germany, but particularly in Bonn, often work many hours beyond required amounts. Morale of the American officers is fair, while FSN and PSC morale varies considerably by individual and post.

The FSNs are experienced, knowledgeable, and hard-working. They smoothly handle the large volume of administrative duties required in Bonn, including the critical, time-consuming work through the State Administrative Section. In addition, several FSNs also effectively carry out industry sector responsibilities.

B. SCO Priorities and Management Style Have Negatively Affected Post Management and Operations

While the SCO is aggressive and innovative, some of his priorities need reassessment. Some adjustment is also needed in his occasionally heavy-handed approach to management. That style negatively affected personnel and aggravated a morale problem in Germany. In addition to traditional activities and initiatives, the SCO spends much of his time on policy matters, such as advocacy, regulatory issues, and trade barriers. These issues sometimes require travel within and outside of Germany. The SCO delegates many tasks he could accomplish himself in order to travel and attend meetings on these policy issues. While the pursuit of these issues is generally within the role of the SCO, the trade-offs associated with overemphasizing them can have a negative impact on Germany's operations.

One trade-off is that the remaining American officers do some work that could be better accomplished by the SCO himself. For example, much of the US&FCS Germany draft staffing plan was written by the deputy commercial officer. While the deputy is competent, she had been in Germany only for 3 months when assigned the task, whereas the SCO has served in Germany since 1992. Another trade-off is that the American officers spend less time on supervising staff and more time filling in for the SCO at high level meetings with the Ambassador, German government officials, and high level business leaders, and communicating with staff at constituent posts.

Furthermore, the SCO's confrontational style on some issues and his tolerance for his former deputy's handling of several problems in a heavy-handed manner negatively affected operations and the morale of staff throughout Germany. The former deputy SCO frequently handled problems with the PCOs in Munich and elsewhere. Several of his E-mails could easily be construed as inappropriately berating the employee recipients. In another case, the SCO officially reprimanded a PCO for a minor travel voucher irregularity—a very harsh administrative action for a minor infraction. In another case, the SCO attempted to enforce an incorrect interpretation of a compensatory leave policy, leading to morale problems for at least one staff member. After our intervention, headquarters corrected the situation by notifying the SCO of the correct interpretation of the policy and directing him to comply.

Such actions contributed to the mediocre morale of US&FCS Germany American officers and other staff. While many staff expressed a satisfaction and enjoyment in their jobs, the furloughs in 1995-96 and difficulties with Bonn management hurt staff morale. We believe the SCO should work with the current deputy SCO to establish stronger and more effective communication with their staff. This can be accomplished, in part, by increasing their personal contact with staff and using more businesslike language when communicating in writing with staff on personnel and other sensitive issues.

C. Uneven Relationships with Other Agencies in Germany

US&FCS Germany has productive relationships with several U.S. government agencies, but not with others. In particular, US&FCS Germany's relationship with the United States Information Service (USIS) needs improvement. Until very recently, USIS and US&FCS did not interact frequently or productively in Berlin and Frankfurt. The relationship has improved in Berlin with the changeover in top positions at both US&FCS and USIS in that city, while in Frankfurt the deputy SCO from Bonn has begun improving this critical relationship.

However, because the SCO has not worked to maintain a good relationship with USIS, US&FCS Germany and USIS do not cooperate well on substantive issues, reducing the impact US&FCS might have on exports. Tensions between the agencies have arisen because their missions are similar in several respects, leading to turf disputes. As a result, cooperation has suffered. For example, US&FCS Frankfurt no longer takes full advantage of meeting space, joint efforts, and the trade information located at the USIS center, thereby wasting resources and opportunities for leveraging. However, cooperation between the agencies should help U.S. exports, because USIS and US&FCS share an interest in improving U.S. business contacts in Germany and making trade information available to a variety of individuals and groups.

In addition, US&FCS may be able to save money and increase efficiency by collocating with USIS in Frankfurt and/or Berlin. USIS is undergoing budget cuts that provide an opportunity for collocation and increased cooperation. USIS space in both Frankfurt and Berlin may be able to accommodate US&FCS staff more economically than the current US&FCS locations. In Berlin, US&FCS must find new space once the embassy transfer is made, but US&FCS has not pursued collocation with USIS, which occupies a well-located and underused facility. (See page 30.) In Frankfurt, US&FCS may be able to save money on lease expenses and improve its location by collocating with USIS. (See page 38.)

We also noted that US&FCS has an unproductive and overly competitive relationship with the Department of State's economics section. While we know that there are often strained relationships between economics and commercial sections at many posts worldwide, we noted that the relationship in Bonn was made worse by the personalities of the principals involved.

On the other hand, US&FCS Germany has strong or improving relationships with other U.S. government agencies, including the Department of State's administrative section at the embassy. For example, the State Department's administrative officer in Bonn stated that US&FCS Germany works cooperatively with him to resolve problems. We noted no other problems with other agencies in our interviews.

D. Mixed Relationships with Other US&FCS Elements

The SCO and the previous deputy SCO had poor working relationships with the regional manager for Europe, their primary contact point with US&FCS headquarters. Interviews and reviews of communications between the post and headquarters reveal that disagreements were common, ranging from disputes over personnel issues to large issues such as the restructuring plan. We have already noted that in 1995, after regional management began a determined effort to see that US&FCS Germany produced a restructuring plan, the relationship, which had at least been polite, became unproductive. However, it is encouraging to note that the new deputy SCO has a stronger relationship with regional management than her predecessor.

US&FCS Germany does have strong or improving relationships with US&FCS domestic offices. Relations appeared to be improving, due to the increased use of E-mail and implementation of the "Team Initiative."⁵ The US&FCS domestic network has established several teams of trade specialists from ITA offices throughout the United States who share particular interest and/or expertise in a region of the world or industry sector. These specialized networks of domestic office trade specialists can be an effective stateside resource to assist US&FCS Germany in several of its activities, such as the International Buyer Program.

E. ICASS Requires Greater SCO Involvement

The SCO needs to plan for the imminent implementation of the State Department's new mechanism for sharing administrative costs for support of U.S. government overseas operations. The new system, International Cooperative Administrative Support Services (ICASS), replaces FAAS (Foreign Affairs Administrative Support) and is intended to capture the full costs of all administrative support services and spread them equitably among the overseas agencies. The bottom line for US&FCS Germany, as well as other US&FCS posts, is a huge increase in costs, estimated at over 50 percent. The State Department estimated ICASS charges for US&FCS

⁵The Team Initiative was designed by US&FCS to be a vehicle for leveraging country and industry expertise within the domestic offices, the worldwide posts, and headquarters and integrating these resources for the benefit of particular initiatives or U.S. exporters.

Germany for FY 1997 will be \$1.1 million compared to \$730,000 in FY 1996. Worldwide US&FCS administrative cost support charges were estimated to increase from about \$11 million to over \$17 million.

A major responsibility of the SCO is managing costs at the post. After personnel, administrative costs are the largest budget item for US&FCS Germany. Most of the anticipated cost increase will occur because the State Department will no longer be subsidizing the support services that it provides to the various agencies at post, such as local guard services and certain building maintenance and leasing charges. While we recognize that the SCO took ICASS training after our visit and has been able to reduce some administrative charges, we believe that he needs to become more actively involved in ICASS to help minimize its impact on Germany's operations.

The SCO is the US&FCS representative on the Germany ICASS Council, a group composed of the Ambassador and the heads of U.S. agencies in Germany. The council has the authority to determine which administrative services will be provided, by whom, and at what level. The council will also define specific service standards of performance, and monitor service performance and cost and require changes, if necessary.

If even a small fraction of the additional ICASS charges (estimated additional charges are \$381,000) can be saved, it will result in significant savings for US&FCS Germany. Adjusting to ICASS will require the use of the skilled FSNs and a strong effort by the American officers, including the SCO. Through staff research and other activities, and a strong role on the ICASS Council, US&FCS Germany can fully explore possibilities for savings and efficiencies when ICASS is fully implemented in FY 1998. It is well worth the SCO's effort to spend more time on this critical administrative task, especially as the new system is put in place and opportunities for efficiencies and cost savings are identified. For example, the SCO may wish to become knowledgeable about service providers for voucher processing and building and vehicle leasing services that may provide efficient and effective alternatives to the State Department. In addition, the SCO can work on identifying services that US&FCS Germany does not need, or needs less of.

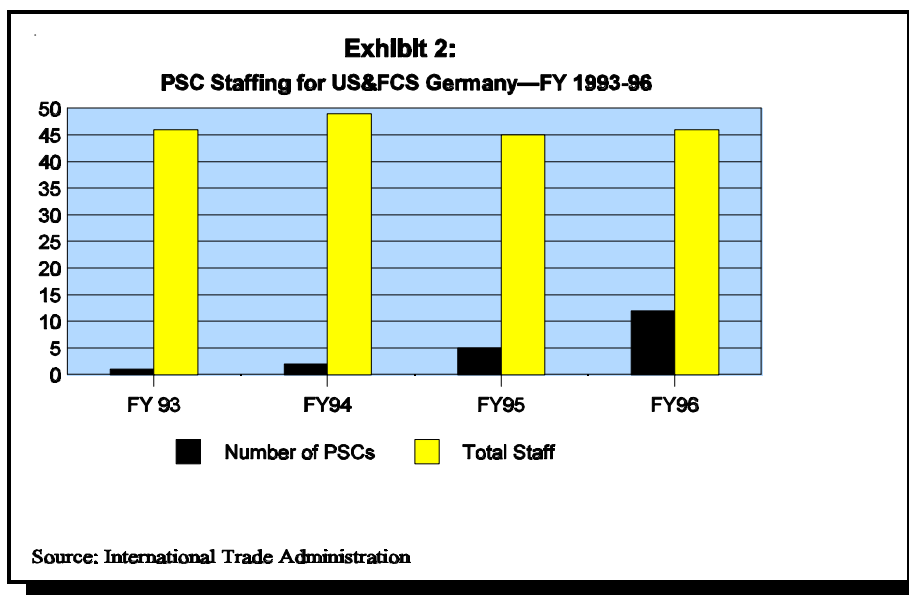


In its response to our recommendation that the SCO increase his involvement with ICASS, US&FCS states that the deputy SCO is the lead officer on administrative matters, including ICASS. While this is an acceptable delegation of authority, we believe that because ICASS costs are so large and because the ICASS council is structured to include the *head* of each participating agency, the SCO should make ICASS a high priority and ensure he is personally knowledgeable of and active in ICASS issues.

F. Large Influx of PSCs Helps Operations but Has Disadvantages

In the last five years, US&FCS Germany was forced to greatly increase its PSC staff to maintain operations. (See Exhibit 2.) However, PSC hiring presents significant liabilities. The large increase in PSC hiring has been necessary to maintain staffing levels, due to an ITA worldwide Full Time Equivalent (FTE) hiring freeze. Since PSCs do not count against FTE limits, they have been extensively used as a stopgap measure when FTEs were not available. They are now an integral part of the US&FCS Germany operations, accounting for 12 of the 46 staff. PSCs in Germany perform program and administrative work that is generally very similar to the work done by their FSN counterparts. Many of the PSCs are critical to successful operation of their US&FCS offices.

PSCs offer several advantages and disadvantages as compared to FSNs. PSCs in Germany cost less in wages and benefits than FSNs. PSCs are 30 percent of its non-American officer employees, but cost less than 20 percent of US&FCS Germany's non-American officer employees' wages and benefits. Also, the size of the workforce is more flexible with PSCs, because contracts can be terminated more easily than permanent staff. However, in Germany, PSCs are often doing the same work as FSNs, but at less pay, creating pay inequities and resentment, which was apparent at two posts we visited. In Germany, many of the PSCs we interviewed were concerned about job security, which contributed greatly to several PSC resignations in 1996. Exhibit 2 shows the huge increase in recent US&FCS Germany PSC staffing.



The post and US&FCS management stated they would like to replace some of the PSCs with FSNs but know that severe FTE limitations will make such conversions difficult. Gradually replacing some PSCs with FSNs, if hiring limitations are lifted in the future, will likely improve organizational stability, and increase long-term organizational memory, industry expertise, and productivity. We were told that US&FCS may soon receive additional FTE hiring authority. In this case, US&FCS should consider not renewing some US&FCS Germany PSCs and replacing these positions with FSNs.

IV. CONSTITUENT POSTS

In the following sections, we discuss the results of our reviews of the US&FCS Germany constituent posts we visited.

A. BERLIN

Berlin is the cultural and soon to be political center of Germany. The US&FCS Berlin office is responsible for covering trade promotion activities in the states of Berlin, Brandenburg, Sachsen-Anhalt, Sachsen, Thuringia, and Mecklenburg-Vorpommern—areas that include 15.4 million people. US&FCS Berlin is responsible for covering certain industries, including engineering services, construction equipment, and building products, for all of Germany. The Berlin office is located just inside of the former East Berlin. A satellite office supervised by Berlin, and staffed by two PSCs, is maintained in the city of Leipzig, about 100 miles from Berlin.

The Berlin office is staffed by an American PCO, three full-time FSN trade specialists, one part-time secretary, and, at the time of our field work, four PSCs (one of whom was part-time). In addition, there was one student intern working in the office. The deputy position was vacant during our inspection and filled in February 1997. Berlin management did not believe that a deputy was needed in the office more than another trade specialist. The Berlin operation appeared to be operating well without a deputy. US&FCS headquarters management stated that the new deputy was not yet ready for assignment to head any of the constituent posts elsewhere in Germany, but may later be considered for a PCO slot.

The Berlin staff appeared to be professional, well-motivated, and knowledgeable about their industries and work. It appeared that the post had sufficient resources to carry out its export promotion activities.

Berlin recently saw a change in its leadership as both the PCO and deputy left for other assignments. We noted that the new management is taking positive steps to address pressing

problems, particularly in the area of embassy relations, multiplier relations (such as with the local American Chamber of Commerce), morale issues, and various information technology issues. For the office in general, we have the following observations:

Berlin's Low Morale Caused by Many Factors

While we found the staff to be highly motivated and competent, there was a lingering morale problem affecting Berlin's operations. We were told that this problem was caused by (1) the effects of the FY 1996 furloughs, (2) layoffs, (3) pay inequities between PSCs and FSNs and among PSCs, (4) out-of-date job descriptions, (5) a recent change in management, and (6) general uncertainty over job security.

The job insecurity concerns caused by the federal government furloughs in FY 1996 had strongly negative effects in Germany. A furlough, with no certainty of back pay, was shocking and almost unthinkable to US&FCS' German employees, because Germany has labor laws that make these sort of circumstances virtually nonexistent. Furthermore, the furlough resulted in some PSCs being let go temporarily due to lack of funds, with some being brought back. In January 1996, two part-time PSCs were dismissed, due to lack of event from which these PSCs were funded. Although the two PSCs were brought back within a few months, productivity suffered in their absence and job-security concerns were heightened among the other staff. Furthermore, PSC contracts (which in order to be renewed, require the approval of Bonn and then US&FCS headquarters) also heightened anxiety. The review team was on site during the last week of FY 1996 and witnessed the concern of some of the staff who, going into the weekend, had not heard from headquarters or Bonn about whether their contracts had been renewed (although these contracts were later renewed).

In addition, morale has been hurt by pay differentials among the various types of non-management employees in Berlin. Worldwide pay scales and FTE constraints on US&FCS (which results in the hiring of PSCs instead of FSNs) have resulted in significant pay differentials between some staff performing similar work. We noted some jealousy and resentment among the staff over this issue.

US&FCS Berlin management stated that some pay disparities were caused by out-of-date job descriptions, and insufficiently clear assignments of responsibility for the staff, which were left over from the previous administration of the post. Management also indicated an absence of a career ladder structure to link the various functional levels within the organization. At the time of our field work, management was moving to address this problem by rewriting all 10 position descriptions, and applying for an upgrade for four positions, most of which are PSC positions. Plus, management indicated a desire to create a more uniform and "transparent" personnel system that is centered around the post's priorities and provides clear steps for long-term career advancement.

Furthermore, US&FCS headquarters partly solved the PSC problem by granting multi-year PSC authority to the Germany post. This allows the post to annually renew PSC contracts for up to five years, rather than have to use the previous contracts, which had to be renewed annually by headquarters. The pay differentials can be addressed in part by properly classifying positions, but, in a larger sense, are not within the control of the post or of headquarters. We were told this issue is intractable without action on worldwide pay scales set by the State Department.

However, part of the morale problem was clearly caused by the change of management at the post that occurred in the summer of 1996. The current PCO has a radically different management approach than the previous PCO. Staff were wary about extending loyalty to their new supervisor, in part because of the high sense of loyalty felt for the previous incumbent. Staff felt that the new PCO was not involved enough in their work and spent too much time out of the office, and they were unsure about his management skills. We could not judge the management skills of the PCO, but we did note that he spent a large part of his time out of the office. We also noted that he was very aware of the management needs of the staff and spoke at length of his vision for managing the office, which seemed thoughtful and reasonable.

Morale, according to staff, has also been hurt by their lack of computer support and frustration with the level of available technology (this problem is addressed more expansively in section I of this report). While it is normal that during a transition time staff will take a “wait and see” posture with new management, we believe that the management can best improve morale and earn loyalty by addressing the outstanding personnel issues expeditiously and improving the office’s information technology base and support.

Collocation with USIS May Be the Best Solution to Berlin’s Location Issue

The US&FCS Berlin post is located in the Berlin Embassy Office, within what was part of the former U.S. embassy in East Germany.⁶ It is a small, old, and relatively poorly maintained facility (e.g., we noted many cracks in the walls and ceilings and a comparatively older telecommunications systems) and is located outside of the main business district in Berlin. The building is virtually inaccessible to business visitors, unless escorted at all times. The commercial library is not open to business visitors, due to the heavy security in the building, which degrades the library’s purpose. At the time of our review, there were plans to construct a new American embassy in Berlin, which would be completed, according to some estimates, between 2004 and 2007. US&FCS Germany told us that there is insufficient room allocated for both its Bonn and Berlin operations in the planned new embassy. In the meantime, we were told that other agencies

⁶The Berlin operation is classified as an “Embassy Office,” a unique circumstance in the world. This designation reflects the special historical circumstances of Germany’s capital, namely, the fact that the German federal government was formerly in Berlin, is currently seated in Bonn, and will be returning to Berlin within a few years. A U.S. Consulate General is in another part of Berlin.

in Bonn were beginning to trickle into Berlin, causing further cramping of space in the current Embassy Office. US&FCS expects its Berlin operations will be forced out of the Embassy Office before consolidation of all U.S. government elements in Berlin.

Because of its cramped facilities, US&FCS Berlin will not be able to absorb the US&FCS Bonn operations into its current space. Nor is there, apparently, sufficiently allocated space in the new embassy, which will not be completed for years after the consolidation anyway. US&FCS Germany management currently favors moving to a former U.S. military office building that was recently renovated in a suburb, Clayallee. Management favors this site because they believed that it would be cheap (as it is government-owned) and accessible to visitors.

This site, however, is even further from the business district than the current site. While we were told that it was extremely modern, with attractive working space and ample parking, and would be easily accessible to visitors, we are not convinced that Clayallee is the best option. In fact, Berlin management and the majority of staff were opposed to this option as well. Berlin management preferred searching for a long-term lease of commercial space in the business district. This may be a good option, as it was our impression that commercial space was being renovated or built throughout the city, which was confirmed by the post. Berlin management believes more advantageous leasing terms could be negotiated now while new space is under construction and before the capital moves to Berlin (which, they believed, would drive up demand for space and costs significantly).

We believe that the post should give careful consideration to collocating with USIS in Berlin. USIS operates its "Amerika Haus" in Berlin within the central business district. The Amerika Hauses (there are three remaining in Germany) are designed to provide business information services, information on the United States, English-teaching materials, and space for educational and cultural programs. Our tour of the USIS facility showed it to be spacious and attractive, and the library was large and well-stocked with business information in text and electronic formats.

Our tour also indicated the USIS site may have enough room for US&FCS Berlin operations, as USIS continues to downsize, vacating more space. Moreover, the facility is well-located in the central business district. Due to conflicts between the former USIS and US&FCS staffs in Berlin, and lack of Bonn leadership (see page 24), the two agencies have had a poor relationship in the past. However, the Principal Officer in Berlin, who is the head of all U.S. government elements in the Berlin Embassy Office agrees that the time may be right for these two staffs to collocate. We believe that efficiencies may be gained for both agencies, and the business community may be better served without compromising the mission of either agency.

Berlin's Trade Missions Hurt by Lack of Adequate Recruitment

One of the Berlin post's primary activities is to organize and lead trade missions into the states of the former East Germany. However, the post believes it has not received adequate recruiting assistance, particularly from ITA's Office of Trade Development (TD). We were provided with numerous examples of missions that were either canceled due to a lack of support for recruiting (such as missions for the chemical and medical industries), or missions that were turned down by TD but were recruited successfully by other ITA organizations (safety and security and environmental industries). Past and present post management agreed that there has been so little integration with and support from TD for their activities in eastern Germany that coordination is no longer even attempted.

One TD official we spoke to who had recently participated in a show in Germany agreed that the relationship with US&FCS on mutual trade event support was spotty worldwide, stating that the problem has existed since ITA was created. He further stated that event support varied from industry to industry and depended upon personal relationships between US&FCS and TD staff, and that he felt that US&FCS was as guilty of lack of adequate support for TD trade missions as US&FCS claimed TD was. In previous reports we have noted the need for greatly improved coordination among ITA's various organizations, in headquarters, domestically, and worldwide.

Relationships in Berlin Office Positive, Although Conflict with the State Department over Roles in Trade Promotion Likely

There is a history of conflict between US&FCS Berlin and the State Department's Berlin economics section. Some of the tension appears to have been overcome with the arrival of both a new PCO and Economics Officer. There is, apparently, a willingness by both parties to cooperate on projects related to commercial matters. However, it is clear that each officer defines the other's roles in conflicting ways. Therefore, continuing conflict in the future over the appropriate role of both organizations appears likely. The basic conflict, we believe, is rooted in rivalry over commercial matters, the tone being set in Bonn between the heads of the organizations that we have commented upon earlier in the report. Relations in Berlin, as in other constituent posts, are reflective of this conflict. We have noted that, for example in Poland, these two units can work together productively and harmoniously. We believe that the best way for the two organizations to work effectively together is by the active intervention by the two heads of the organizations in Bonn, the Ambassador, and the Consul General/Principal Officers at each constituent post to ensure cooperation.

Berlin's Internal Controls over Funds Are Generally Adequate

We assessed Berlin's internal controls associated with the collection and reimbursement of funds. We found that Berlin had adequate internal controls over its handling of funds received (such as

cash and checks). We, did, however uncover one small problem. We noted one check for \$250 was not deposited by the end of the week that it was received, as required. Though post management indicated it may have been post policy to hold some checks longer than the requirements allow, US&FCS procedures are clear and represent proper procedures for the handling of funds. Post management indicated that this policy will be reiterated to the PSC responsible for deposit handling and that it will not occur again.



In response to our recommendation that US&FCS aggressively review options for location of its Berlin office, US&FCS stated that several options, *not including* USIS space, are under study. We reaffirm that the possible relocation of Berlin to the Clayallee is inadvisable, and applaud US&FCS efforts to consider a variety of other sites. We maintain that the USIS site in Berlin may still be viable, and that US&FCS Germany should reevaluate the possibility of relocating to USIS space.

US&FCS also concurred with our recommendation to develop stronger ties with USIS in Berlin.

US&FCS concurred with our recommendation that Berlin observe proper procedures for the handling of deposits, filing information, and maintaining proper inventory records. We believe US&FCS has acted responsibly by ensuring that corrective actions were taken to address the recommendation.

In addition, US&FCS concurred with our recommendation that US&FCS should ascertain whether the new deputy commercial officer, after her first year in Berlin, might be more appropriately assigned to a post that is currently without an American officer.

B. DÜSSELDORF

Düsseldorf is the capital of Germany's most populous state, North Rhine-Westphalia, which has over 17 million inhabitants. Leading industrial sectors in the state include chemical and steel industries, plastics, mechanical and electrical engineering, electronics, and the food industry. Within FCS Düsseldorf's consular district are three major trade fair cities, Düsseldorf, Essen, and Cologne. Annually, Düsseldorf hosts about 45 international trade fairs devoted to capital goods, fashion, medicine, leisure, and health.

The State Department closed the American Consulate in Düsseldorf in 1987, but US&FCS chose to maintain its presence there due to the commercial importance of the area and the high level of trade fair activity. In 1994, then Ambassador Holbrooke saw a need to significantly upgrade the U.S. presence in Düsseldorf because it was one of Germany's major commercial centers, and in

1995, the American Consulate General re-opened its doors under an experimental “commercial consulate general.”

Based on a Memorandum of Understanding (MOU) between the Departments of Commerce and State, the two agencies are to operate the consulate and share common and direct administrative support service costs. The MOU also calls for the Consul General to be filled, on a temporary basis, by a US&FCS officer. The US&FCS officer, while holding the position of Consul General, is detailed to the State Department and reports to the Charge d’Affaires for Germany. The Consul General has a small staff (including an economic officer) and oversees all State Department activities pertaining to the region. The Düsseldorf US&FCS office, located within the American consulate, has good office space. The staff is experienced and knowledgeable, and works well together, but would benefit from full-time management supervision.

It appears that upgrading the commercial operation in Düsseldorf has been a positive step. The current Consul General is highly regarded by both the commercial staff and the business community. According to the Consul General, the main reason for creating the commercial Consulate was to have access to all levels of the state government and to use this access to the full advantage of American business interests.

For example, after a major fire in the Düsseldorf airport last year, the local government decided to undertake a \$1 billion reconstruction of the facility. When the commercial staff learned that there were going to be some problems with the way the tenders were being handled in the procurement process, the Consul General intervened at the ministerial level and managed to get the government to cancel its original tender and replace it with one where more companies (i.e., American) were able to bid. Although the bid has not yet been awarded, a potential trade complaint was avoided. According to the Consul General, both the quick reaction and the access to the highest levels of government were made possible because of his presence and position as Consul General in Düsseldorf. Nevertheless, we still believe that for US&FCS Düsseldorf to be effectively managed, an American officer should be paneled for and assigned as soon as practicable.

Düsseldorf Needs an American Officer

The Düsseldorf commercial office needs day-to-day management by an American officer. Headquarters officials told us that US&FCS policy is to have an American officer where three or more staff are located. US&FCS Düsseldorf has a staff of six FSNs, but has lacked a full-time commercial officer since July 1996. The US&FCS officer serving as Consul General is able to spend a good deal of his time on trade matters, but his priorities are State Department activities and he has little time to *manage* the US&FCS staff. To help fill the void, a junior commercial officer from Bonn visits 2 to 3 times a week, as time permits.

Both the Consul General and the commercial staff informed us that they highly respect this officer, but they all agreed that a permanent American officer would provide the commercial section essential day-to-day guidance. The SCO also agreed that an American officer is needed there but said that headquarters would not provide him with one. We suggested to the SCO that the third officer position in Bonn be transferred to the Düsseldorf office, but the SCO stated that this position was too important to his headquarters operation. Although Düsseldorf has an experienced, knowledgeable staff, we believe that the visits by a commercial officer are inadequate. We believe that export promotion could be handled more effectively if a commercial officer were assigned there full-time.

In October 1996, headquarters agreed to place an American PSC in Düsseldorf, at least temporarily, in order to provide leadership in the commercial office. While we do not disagree with this *temporary* move to provide the Düsseldorf region with a much needed American presence, we have concerns regarding this action. Specifically, PSCs are not allowed to perform inherently governmental functions, such as supervising government employees. According to headquarters, the PSC will not supervise the staff but will only perform representational work, which should be useful in promoting U.S. exports. However, since this contractor will essentially be substituting for the PCO position, this move gives the appearance that the contractor will be supervising the staff. Headquarters must make clear to post management in Bonn that the PSC must not supervise the commercial staff in Düsseldorf.

During a meeting with Germany's regional management, we were informed that a PSC has recently been hired and that ITA upper management has not yet consented to replacing the vacant PCO position. We reiterate that a full-time American officer position should be placed there and paneled within a year.

Morale Is Satisfactory, Though Job Security Concerns Exist

Morale is satisfactory in the office, but the entire staff believes a full-time PCO is needed. With the departure of the former PCO in July 1996, the FSNs were very concerned about the future of the Düsseldorf operation, as well as their own jobs. The FSNs' concerns were heightened by the fact that the PCO position was not staffed, but replaced with a part-time commercial officer from Bonn. Although the staff is extremely pleased with this officer, they stated that the part-time supervisor has too many other priorities in Bonn, and therefore cannot provide necessary day-to-day guidance. After reviewing all the responsibilities placed upon this commercial officer, we agree.

Administrative and Fiscal Issues Need Resolution

Several administrative and fiscal issues need to be addressed by the post. First, the Düsseldorf imprest fund lacks proper safeguarding. Fund monies are stored in an unlocked metal cash box,

which is kept in a locked file cabinet. However, the key to the cabinet is easily accessible. A safe is not necessary, but properly securing the cabinet key is. Second, US&FCS Germany has been paying for a vacant apartment in Düsseldorf since July 1996, when the PCO departed. US&FCS headquarters informed us that they did not want to get rid of the apartment until they made a decision on whether to assign a commercial officer to Düsseldorf. Since the decision as to whether to assign an officer is uncertain, US&FCS should either give up the lease for the apartment or sublet it (whichever is less costly) until a decision is made.



US&FCS did not directly address our recommendation that US&FCS consider filling the commercial officer position in Düsseldorf. We believe that US&FCS headquarters, in coordination with US&FCS Germany, needs to decide rapidly whether PSCs are adequate replacements for commercial officers worldwide and, in this case, in Düsseldorf. We note that PSCs are not allowed to supervise foreign service nationals. The PSCs at these posts are serving as general replacements for American officers, which can lead to their involvement in prohibited activities. The PSCs are essentially replacements for the PCOs, and have been given the title "Director." US&FCS Germany must take special care to ensure PSCs do not act as supervisors. In the specific case of Düsseldorf, we reaffirm our recommendation that an American officer should be paneled for that position.

C. FRANKFURT

Frankfurt is the largest city in the state of Hessen, and has a population of about 6 million. US&FCS Frankfurt is also responsible for coverage of three additional states with populations totaling about 7 million. US&FCS Frankfurt, under a test period agreed to by the State Department, also manages one-third of the area formerly managed by the Stuttgart consulate, which was closed in July 1996. This arrangement is seven months old, and there is not enough experience for assessment yet. In addition, US&FCS Frankfurt covers certain industries Germany-wide, including banking and finance. Frankfurt is also a major trade fair location, hosting about 15 major international fairs annually.

The Frankfurt office is staffed by an American commercial officer (this position is currently vacant), three FSNs, including one secretary, and two PSCs. The former PCO left the post unexpectedly in September 1996 after about two years. In addition, US&FCS Frankfurt periodically uses interns and frequently employs short-term contractors. There is a vacant deputy position that is not expected to be filled. Headquarters and many post staff agree that a deputy position in Frankfurt is not necessary. In addition, headquarters and the post have agreed to have a domestic officer fill in temporarily for the PCO. We endorse this short-term solution and urge headquarters and the post to work together to ensure that the PCO position is filled expeditiously.

The non-American officer staff work well as a team, overcoming several difficulties detailed below. In addition, the Frankfurt staff is a blend of experienced and recently hired employees, all of whom appear to be dedicated to promoting U.S. exports. The staff is highly professional, an assessment with which the former PCO agreed. In addition, the secretary is excellent at responsibly performing traditional duties as well as many administrative duties previously performed by the PCO or deputy.

Frankfurt Post Productive, but Hampered by Poor Relationships

US&FCS Frankfurt appeared to be effectively promoting exports and providing other assistance through its coordination with multiplier organizations. Its products and services, including ISAs and IMIs, were given high marks from American businesses and multiplier organizations interviewed. Post management, the Frankfurt FSNs, and the former PCO stated that many export actions result from the trade show activities. We confirmed that exporters assisted by the post do business as a result of attending the trade shows.

The former PCO was active in the business community and reportedly well organized. He was very good at getting contractor and other support for trade events, though more assistance would be helpful, according to several FSNs. We also noted that relationships with American Chambers of Commerce and the US Germany Business Club are good, as are relations with U.S. state representatives located in Frankfurt. In addition, coordination with US&FCS Bonn was good. Coordination with the State Department also appeared to be effective in Frankfurt, although the relationship with the economic section needs more attention.

At the time of our inspection, US&FCS Frankfurt's coordination with the US&FCS district offices appeared strong, but the post's relationship with US&FCS headquarters was poor. The US&FCS regional manager and the former PCO had a poor working relationship that appeared to be caused by personal as much as professional differences. Similarly, according to both US&FCS Frankfurt staff and USIS staff, the PCO's poor relations with USIS poisoned almost all efforts to combine resources with USIS. For example, the mutual use of the two agencies' large personnel and information resources declined greatly under the former PCO's tenure. After his departure, US&FCS Germany's deputy commercial officer and the Frankfurt staff began working to improve the relationship with USIS in Frankfurt. One joint program was being planned at the time of our on-site work. We support this effort and encourage US&FCS Germany to solidify its working relationship with USIS.

Morale in the office was low under the former PCO. The former PCO was perceived as autocratic, permitting the FSNs much less flexibility and initiative than under his predecessor. For example, though staff wanted to run joint programs and otherwise take advantage of USIS's presence, the PCO discouraged such activities. In addition, the PCO allowed the staff little flexibility in scheduling and planning program activities. Staff stated that their working

relationships were strained with the PCO, contributing to decreased morale. When a new PCO is assigned to this office, employee morale should be an early target of his/her attention.

Collocation with USIS Should Be Explored

US&FCS Frankfurt's office is good for conducting business, and is located 15 minutes (by car) from the heart of downtown Frankfurt. However, relocating with USIS (a 10-minute drive from downtown) should be seriously considered because it may save money and improve post effectiveness.

While its current space is sufficient to support US&FCS Frankfurt operations for the foreseeable future, it is not an advantageous location for US&FCS and may become more costly under ICASS, which will be fully implemented in FY 1998. Collocating with USIS may result in lesser costs due to shared services. US&FCS Germany management agreed that the USIS collocation option should be examined. However, relations with USIS Germany need to improve for collocation to work. (See page 24.)

USIS operates its Frankfurt "Amerika Haus" 1.5 miles closer to the central business district than the current US&FCS Frankfurt office. Our tour of the USIS facility showed it to be spacious and attractive, with a large and well-stocked library containing information in text and electronic formats. The USIS site may be large enough to house US&FCS Frankfurt operations, especially if USIS continues to downsize and vacate more space. We recommend that US&FCS begin negotiations with USIS to determine whether the two staffs can efficiently collocate at the Frankfurt Amerika Haus site.

Fiscal, Accounting, and Administrative Operations in Good Condition,
but Several Matters Require Attention

US&FCS Frankfurt properly maintains and adheres to procedures for handling of funds and maintaining records. The imprest fund is secure, and the accounting system is maintained in an outstanding manner. However, we noted that the post's shoddy filing hampered the smooth operations of the office. For example, many documents no longer needed still remained in files, while other documents were not in a logical place or were missing. The US&FCS secretary in Frankfurt and the former PCO agree that the system needs an overhaul. After visiting Frankfurt, the new deputy commercial officer agreed with our finding and has authorized a reorganization of the filing system. In addition, an inventory audit showed that the system to inventory property is adequate, but the information input to the system is not current and in some cases inaccurate. For example, the USTTA property transferred to US&FCS control has not been entered. We also found that some property in the inventory sample we examined was labeled with a different identification number than the number on the inventory control sheet.

Also, US&FCS is using USTTA's former telephone number, resulting in daily wasted staff time answering calls from individuals requesting travel information. Changing the US&FCS number so that it is not the same as the former USTTA number is one alternative to rectify the problem. Another possibility is to use modern phone technology to screen calls and direct the travel inquiries to the Visit USA Committee or other appropriate organization. Neither of these alternatives is costly. After visiting Frankfurt, the new deputy commercial officer agreed with our findings and has instructed that a telephone voice mail or message system be developed to handle the excess incoming calls and that the post conduct a complete inventory of real property.



In response to our recommendation that US&FCS Frankfurt consider collocating with USIS, US&FCS stated that Frankfurt relocation to USIS space is not a viable option. We maintain that accommodation with USIS may still be possible, which could result in a better and less costly location for US&FCS operations.

US&FCS concurred with our recommendation to develop a stronger ties with USIS in Frankfurt. However US&FCS's response also stated that the Germany SCO has never heard a complaint about cooperation between the two agencies. We note that the poor relationship between USIS and US&FCS Frankfurt was well known and brought to our attention by officials in both agencies.

US&FCS concurred with our recommendation that the Frankfurt post observe proper procedures for the handling of deposits, filing information, and maintaining proper inventory records. We believe US&FCS has acted responsibly by ensuring that corrective actions were taken to address the recommendation.

US&FCS did not directly address our recommendation that US&FCS fill the principal commercial officer position in Frankfurt as soon as possible. However, we endorse the recent permanent filling of the Frankfurt PCO position. The new PCO reported in on June 26, 1997.

D. HAMBURG

The US&FCS Hamburg post is responsible for the states of Hamburg, Bremen, Lower Saxony, and Schleswig-Holstein, Germany's northernmost state. The total population of Hamburg's area of coverage is nearly 13 million. Leading industrial sectors include aerospace, shipping, and steel processing. Hamburg had a commercial slowdown during East Germany's existence, due to the blockage of its traditional port trade because of the presence of East Germany and because the countries to the east were communist nations that were not good trading partners. However, this began to change with the collapse of East Germany in 1989. Other countries, such as Canada,

have taken advantage of the opportunities and reopened their Hamburg consulates. We note that Showcase Europe approaches the European market on a regional basis, breaking trade barriers and accelerating integration of the economies of Central Europe, Russia, and the Newly Independent States. Hamburg has advantages to help meet these goals, because it is close to and has traditional ties with those regions.

Historically, Hamburg employed an American officer and three to five other staff. However, under the current SCO, Hamburg staffing has dropped considerably. Presently, the Hamburg office is staffed by one FSN trade specialist and one American PSC, who cover Hamburg and the areas north and east of the city. In addition, US&FCS Hamburg covers certain industries Germany-wide. Since July 1996, there has been a vacant PCO position. Headquarters is undecided whether to fill the slot, while the SCO believes a PCO is not needed. The former PCO stated that both staff members are hardworking and productive, most notably the FSN, who has a great deal of experience.

Possible Closure of Hamburg Post Requires Careful Study

There are several strong arguments for keeping staff in Hamburg. First, we were told that Hamburg is ideally situated for some American companies to expand their marketing efforts into the Baltic states, Scandinavia, Poland, the Czech Republic, and the Slovak Republic. Because many of these nations are joining the European Union, Hamburg can be used as a base for operations. Second, a presence in northern Germany reflects the fact that export opportunities to Germany are widely distributed throughout the country. Third, while Hamburg is not a trade fair mecca, as are some other German cities, it hosts about four major trade fairs each year in which the U.S. Department of Commerce participates.

The SCO argues that staff may no longer be required in Hamburg for two reasons. First, the area is not as full of opportunities as other regions in Germany. Second, with stagnant and decreasing staff in the last few years and the same forecast for the next few years, Germany must cut where it can most afford to cut. He argues that the Hamburg work could be handled from Düsseldorf or Berlin.

However, we believe a presence in Hamburg may still be needed because of the reasons cited above. We agree with the December 1996 US&FCS Germany decision to give Hamburg a trial period, and then conduct a thorough review of the post's effectiveness before deciding its fate. We encourage US&FCS Germany to gather as much data as possible on export promotion activities of the post in Hamburg before making a final decision.

American Presence Needs Evaluation

As with Düsseldorf, the SCO and headquarters have agreed to hire an American PSC to temporarily fill the need for an American to represent the US&FCS in Hamburg. However, we maintain similar concerns about the long-term placement of a PSC to operate the office in this region as in Düsseldorf. (See page 34.) More importantly, the final determination of whether Hamburg requires an American officer should be made during the PSC's time in Hamburg—during Hamburg's trial period. Regional management agrees that staffing needs for Hamburg will be assessed during the remainder of FY 1997 and early FY 1998. If necessary, steps to acquire an American officer for Hamburg should begin immediately after the assessment is complete.



US&FCS did not directly address our recommendation that US&FCS consider filling the commercial officer position in Hamburg. As stated previously, we believe that US&FCS headquarters, in coordination with US&FCS Germany, needs to decide rapidly whether a PSC is an adequate replacement for a commercial officer in Hamburg. We note that PSCs are not allowed to supervise foreign service nationals. The PSCs at US&FCS Germany posts are serving as general replacements for American officers, which can lead to their involvement in prohibited activities. The PSCs are essentially replacements for the PCOs, and have been given the title "Director." US&FCS Germany must therefore take special care to ensure that they do not act as supervisors.

E. Munich

Munich is the capital of Bayern (Bavaria), Germany's southernmost state, with a population of about 12 million. US&FCS Munich is also responsible for coverage of the state of Baden-Württemberg, with a population of about 9 million. In addition, US&FCS Munich covers certain industries Germany-wide, including aircraft and parts, processed food, and electronics. Leading industrial sectors in the two states include tourism, aerospace, electronics, software, and automobiles.

The Munich office is staffed by an American commercial officer and five full-time trade specialists. There is a vacant deputy position which is not expected to be filled. Headquarters and many US&FCS Germany staff, including the SCO and the Deputy SCO, agree that a deputy position in Munich is not necessary. However, we believe the vacant clerical/administrative position should be filled as soon as possible to handle the office's many routine responsibilities. It was apparent to us that filling this position would allow trade specialists to concentrate more fully on their export promotion activities.

The FSNs work well as a team, overcoming several difficulties detailed below. In addition, the FSNs are experienced, hardworking, and innovative. For example, one of the Munich FSNs created the International Buyer Program several years ago. Headquarters, including management and MAC staff, concur that the US&FCS Munich staff is productive and seeking ways to improve export promotion. While the PCO is active in the business community, well organized, and dedicated, his management style has led to several problems. The PCO is overly formal and puts in writing many of his disagreements with a variety of individuals. This makes productive relationships difficult to establish and maintain, and contributes to low morale.

Cooperation with State Department Is Poor

Cooperation with the State Department is poor in Munich and has resulted in fewer joint appearances and activities than under previous PCOs. The strain in the relationship seems to have been caused primarily by the PCO's management style (as noted above) and a poor personal relationship between the Munich Consul General and the PCO. His relationship with the Munich Consul General is so poor that both officers prefer not to attend events together, lessening the effectiveness of trade advocacy and promotion efforts. Consequently, it has been difficult for the State Department to agree with US&FCS Germany that the Munich PCO should increase his area of responsibility to include Baden-Württemberg. While State Department officials made it clear that they have serious difficulties working productively with the PCO, the increase in responsibility was made necessary when US&FCS Germany closed its Stuttgart office in July 1996. We believe the SCO should work with State Department officials and the PCO to improve the poor relationship.

Morale Low at US&FCS Munich

Morale is low, but work effort and productivity are not significantly affected. Interviews with all the Munich staff showed that morale is low, due in large part to a poor relationship with the PCO. While the PCO stated that he is open to ideas and other input from staff, many staff members disagree. In addition, the PCO's admittedly formal, and occasionally aggressive, style prevents close teamwork between the PCO and the staff. US&FCS Germany management and our team agree that the Munich staff is hardworking, effective, and productive. US&FCS headquarters and the SCO all believe that the PCO in Munich has an ineffective style, and they have reservations about his ability to properly lead this office. However, they also noted his strengths, which include organization and innovation. We believe the SCO should work with the PCO to modify the PCO's management style in a way that will increase morale.



US&FCS concurs with our recommendation that US&FCS Munich staff conflicts and problems need to be resolved by identifying concerns and their solutions, and that the SCO should establish stronger and more effective communication with the staff. We note that US&FCS Germany has taken several steps toward implementing the recommendation, including plans to stress the need for an open and constructive atmosphere for relaying concerns to the new Frankfurt and Munich PCOs, scheduled to arrive in summer 1997, and helping to alleviate job security concerns by making all PSC contracts in Germany multi-year, subject only to the availability of funds.

RECOMMENDATIONS

We recommend that the Acting Assistant Secretary and Director General of the U.S. and Foreign Commercial Service direct appropriate officials to take the following actions:

1. US&FCS headquarters should issue guidance stating how post-produced products and services are to be used in assessing post performance.
2. US&FCS Germany should include a section that specifically identifies, discusses, and considers marketing and conducting business in eastern Germany as an attachment to the FY 1997 Country Commercial Guide and as an integral section in all subsequent CCGs.
3. US&FCS headquarters, in consultation with US&FCS Germany and other European posts, should develop a method to accurately measure the impact, costs, and benefits of Showcase Europe. Appropriate adjustments should be made to the level of resources and activities based upon this analysis.
4. US&FCS Frankfurt should reestablish an effective working relationship with the German Visit USA Committee in order to better promote U.S. travel and tourism.
5. US&FCS should develop meaningful performance measures for all major post activities, services, and products in order to accurately capture the impact of its efforts and initiatives and to help determine the proper level of resources needed by each post.
6. US&FCS Germany should reassess the level of participation in trade fairs and International Buyer Program activities in order to accurately capture the costs and benefits of these activities with the goal of identifying and participating in only those events producing the most meaningful US&FCS impact.
7. The SCO and US&FCS headquarters should discuss training needs and, if necessary, agree on redistributing the post budget to allow for adequate training of officers and non-officer employees. Regional training should be used if it will result in cost savings or other efficiencies. The post should also ensure that updated training plans are created for all staff and managers.
8. US&FCS Germany should devote appropriate resources to maintaining its Internet site in order to make it a viable, up-to-date trade promotion tool.

9. US&FCS Germany should seek, as appropriate, a waiver from BXA to allow its Foreign Service Nationals to conduct Pre-License Checks. In the interim, US&FCS Germany should have American officers conduct all pending checks.
10. US&FCS headquarters should, within six months, begin implementing a detailed plan for US&FCS Germany staffing. The plan should include decisions on the recommended elimination of the Leipzig office and the future of the Hamburg operation, the eventual shut-down of the Bonn operation, and the move of the Bonn post to Berlin, and overall targets for US&FCS Germany set by US&FCS headquarters.
11. The SCO should increase his attention and involvement with the implementation of ICASS, in order to identify areas where increases in costs can be minimized and where services can be reduced or otherwise eliminated.
12. US&FCS should aggressively review options to immediately determine the best locations for its Berlin and Frankfurt operations. US&FCS should begin discussions with USIS to determine whether the two staffs can efficiently collocate at the Amerika Haus sites in Berlin and Frankfurt.
13. US&FCS Germany should immediately take steps to solidify its working relationship with USIS in Berlin and Frankfurt.
14. US&FCS Germany should ensure that the Berlin and Frankfurt posts observe proper procedures for the handling of deposits, filing information, and maintaining proper inventory records.
15. US&FCS should fill commercial officer positions in Düsseldorf and Frankfurt as soon as possible, and possibly in Hamburg, depending upon the outcome of US&FCS' evaluation of that operation.
16. US&FCS should consider, after a year of experience in Berlin under the new deputy, whether this position might be more appropriately assigned to a post currently without an American officer.
17. US&FCS Germany should seek to resolve staff conflict and morale problems at its constituent posts by identifying concerns and determining appropriate solutions. The SCO should work with the deputy SCO to establish stronger and more effective communication with staff. Possible solutions could include:
 - facilitating intra-office communication through regular staff meetings,

- providing a constructive atmosphere for staff to relay concerns to American officers at each post and directly to Bonn management when appropriate,
- emphasizing to American officers that management expects fair and professional interaction between themselves and their staffs,
- working with American officers to modify difficult or confrontational management styles, and
- alleviating job security concerns through use of multi-year PSC contracts and converting PSCs to permanent positions when possible and deemed prudent.

Appendix 1

LIST OF ACRONYMS

ADS	Agent/Distributor Service
BEM	Big Emerging Market
BXA	Bureau of Export Administration
CCG	Country Commercial Guide
CIMS	Commerce Information Management System
EPS	Export Promotion Services
FAAS	Foreign Affairs Administrative Support
FSN	Foreign Service National
FTE	Full Time Equivalent
IBP	International Buyer Program
ICASS	International Cooperative Administrative Support Services
IMI	International Marketing Insight
ISA	Industry Subsector Analysis
ITA	International Trade Administration
MOU	Memorandum of Understanding
OIG	Office of Inspector General
PCO	Principal Commercial Officer
PLC	Pre-License Check
PSC	Personal Service Contractor
PSV	Post-Shipment Verification
RAC	Regional Area Coordinator
SCO	Senior Commercial Officer
TD	Trade Development
TOP	Trade Opportunities Program
US&FCS	United States and Foreign Commercial Service
USIS	United States Information Service
USTTA	United States Travel and Tourism Administration

Appendix 2

LIST OF US&FCS SERVICES

Industry Sector Analysis (ISA)—structured market research reports produced on location in leading overseas markets. Reports cover market size and outlook, characteristics, and competitive and end-user analysis for a selected industry sector in a particular country. ISAs are available on the National Trade Data Bank and the Economic Bulletin Board.

International Market Insights (IMI)—short profiles of specific foreign market conditions or opportunities prepared in overseas markets and at multilateral development banks. These non-formatted reports include information on dynamic sectors of a particular country. IMIs are available on the National Trade Data Bank and the Economic Bulletin Board.

Customized Market Analysis (CMA)—market research made to order. A CMA report assesses the market for a specific product or service in a foreign market. The research provides information on sales potential, competitors, distribution channels, pricing of comparable products, potential buyers, marketing venues, quotas, duties and regulations, and licensing or joint venture interest.

Trade Opportunity Program (TOP)—timely sales leads from international firms seeking to buy or represent U.S. products or services. TOP leads are printed daily in leading commercial newspapers and distributed electronically via the Economic Bulletin Board.

Agent/Distributor Service (ADS)—customized overseas search for qualified agents, distributors, and representatives for U.S. firms. Commercial officers abroad identify up to six foreign prospects that have examined the U.S. firm's product literature and expressed interest in representing the firm's products.

Gold Key Service—custom-tailored service that combines orientation briefings, market research, appointments with potential partners, interpreter service for meetings, and assistance in developing follow-up strategies. Gold Key Service is offered by US&FCS in export markets around the world.

Matchmaker Trade Delegations—"match" U.S. firms with prospective agents, distributors, and joint venture or licensing partners abroad. US&FCS staff evaluate U.S. firms' products and services marketing potential, find and screen contacts, and handle all event logistics. U.S. firms visit the designated countries with the delegation and, in each country, receive a schedule of business meetings and in-depth market and finance briefings.

International Buyer Program (IBP)—supports selected leading U.S. trade shows in industries with high export potential. US&FCS offices recruit foreign buyers and distributors to attend the U.S. shows, while program staff helps exhibiting firms make contact with international visitors at the show. The IBP achieves direct export sales and international representation for interested U.S. exhibitors.



ATTACHMENT
UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D.C. 20230

June 12, 1997

MEMORANDUM FOR: Frank DeGeorge
The Inspector General

FROM: Marjory E. Searing\jrs
Acting Assistant Secretary and Director General

SUBJECT: Response to the Draft Inspection Report - US&FCS Germany
(IPE -9287)

In response to your request of April 14, I am pleased to attach the Commercial Services' response to the draft inspection report on US&FCS operations in Germany. We appreciate and concur with your findings that our posts throughout Germany are doing a good job in supporting our overall mission to promote U.S. exports. Where there are areas cited for improvement in the report, our response indicates where remedial actions have occurred, or how we plan to address those issues.

We appreciate the time and effort that your staff placed in compiling this extensive report. If you or your team have any questions regarding our response, I will be pleased to answer them.

cc: A/US Tim Hauser
Alan Neuschatz



RESPONSES TO THE IG INSPECTION REPORT RECOMMENDATIONS

1. US&FCS headquarters should issue guidance stating how post-produced products and services are to be used in assessing post performance.

Almost all of these products have been in existence for decades and are part of US&FCS' "core" program worldwide. US&FCS believes that these products best serve the needs of U.S. business and produce the best results. There is also an historical justification for many of these "core" products. For example, Congress dictated that the Commerce Department create a National Trade Data Bank (NTDB). To make the new NTDB a useful and credible product there was the need to produce large quantities of ISAs at all posts. Furthermore, there are often a multiplicity of benefits. Using ISAs again as an example, trade specialists doing research to prepare these reports bring themselves up-to-date on recent developments and renew business contacts in sectors assigned to them.

EPS and posts abroad try to assess the "value" of these products and services through questionnaires and direct surveys to client companies receiving US&FCS products or participating in events. Our ability to get more than a minimal response is a constant struggle. Most companies prefer to keep such information proprietary, do not wish to share the results of their participation with the Federal Government, or are too busy to share such information with us. Export Promotion Services likewise finds company resistance to complete surveys following participation in one of its events or completion of services.

Post's ISAs and IMI reports are to be selected on the basis of potentially significant opportunities for U.S. firms throughout Europe, in keeping with the five key Showcase Europe industry sectors, and within the resources available at post. Posts are free to discuss with management the number and types of reports post wishes to produce and the post's plan can be adjusted. Nevertheless, there may be a perception about numerical quotas by several posts and, consequently, headquarters will request that EPS issue an advisory cable to all posts worldwide indicating the rationale for conducting ISAs and IMIs. For events in which US&FCS Germany participates, we are pleased to report that since the inspection, the posts now issue IMIs in addition to their end of show reports.

2. US&FCS Germany should include a section that specifically identifies, discusses, and considers marketing and conducting business in eastern Germany as an attachment to the FY 1997 Country Commercial Guide and as an integral section in all subsequent Country Commercial Guides.

Post will comply with the Inspection's recommendation and include detailed information on conducting business in eastern Germany in the FY 98 and all subsequent Country Commercial Guides (for as long as it is relevant to differentiate between business conditions in the eastern versus western states of Germany).

- 2 -

At the time of unification, seven years ago, the thrust in Germany had been to create an atmosphere of a united Germany and many USG and FRG reports reflected that sentiment. We believe that those political sensitivities are no longer as strong and that the post can incorporate a separate section on the business climate in eastern Germany as an addendum to the FY 1988 and subsequent CCGs.

The FY 1997 Country Commercial Guide for Germany was produced in July 1996, and will shortly become outdated. An addendum to the FY97 CCG at this time would not be particularly beneficial since the FY 98 CCG will be submitted later this month.

3. US&FCS headquarters, in consultation with US&FCS Germany and other European posts, should develop a method to accurately measure the impact, costs, and benefits of Showcase Europe. Appropriate adjustments should be made to the level of resources and activities based upon this analysis.

The Showcase Europe Steering Committee recognized from the initiative's inception the need to accurately quantify its impact, and consider the cost/benefit ratio. One measure that has been put into practice has been the modification of the European posts' quarterly highlight reports requirement to include reporting on the three main strategies of Showcase -- advocacy and commercial policy; single market approach; and American business network -- as well as activities in the five Showcase priority strategic sectors. The individual post-by-post quarterly highlight reports have been compiled into composite Showcase Europe quarterly reports, which document on a more comprehensible basis the Europe-wide Showcase successes.

Nonetheless, the Steering Committee recognizes that greater attention needs to be given to performance measures. This will be a major topic for discussion and action at the next Showcase Europe meetings, which are scheduled to take place in London on June 23-34, and July 9-10.

4. US&FCS Frankfurt should reestablish an effective working relationship with the German Visit USA Committee in order to better promote U.S. travel and tourism.

Great strides have been made on developing and improving relations between US&FCS Germany and the German Visit USA Committee (VUSA) since the time the Inspectors were here. It must be recalled that the confusion surrounding the sudden dismantling and shut-down of USTTA operations had only taken place three months before the arrival of the Inspectors, and there was naturally a "shake-down" period during which US&FCS and VUSA had to work out a new *modus operandi*. US&FCS has only recently issued operating guidance (USDOC 0928, dated 2/24/97) for handling the tourism sector, including code of conduct with the VUSAs.

Prior to the dismantling of USTTA, our relations with the VUSA had always been

- 3 -

excellent. A new PCO will be arriving in June and tourism will be one of his top priorities.

Among the recent actions pertinent to relations between US&FCS Germany and the German VUSA are:

- The SCO has been attending VUSA meetings in Frankfurt as an observer and meeting with key individual committee members for the past four years.
- The Deputy SCO has replaced the Frankfurt PCO as US&FCS representative serving, in an ex-officio capacity, on the VUSA. She, along with the Frankfurt Commercial Specialist responsible for the tourism sector, has participated actively in three meetings held since October.
- The Commercial Specialist has regular (at least weekly) communication with the VUSA Chairman, the VUSA staff assistant and Committee members.
- VUSA members have participated in two tourism events organized by US&FCS/Frankfurt in FY 97 (Reisemarkt Dresden and Reisen Hamburg). Currently VUSA and US&FCS Frankfurt are jointly planning how to approach participation in several late 1997 and 1998 travel events (e.g., whether they or post organize, and how responsibility is shared).
- US&FCS Frankfurt has recommended several U.S. tourism companies to VUSA for potential new membership.
- US&FCS Frankfurt has volunteered to help the VUSA in the development of its Yearbook (including coordination with US&FCS Bern and Vienna).

In many ways the VUSA in Germany is different from its counterparts in other countries. The VUSA is composed of tourism entities, mainly destinations, hotel chains and cruise lines, already established in Germany. The US&FCS is committed to assisting all U.S. companies, and in fact has a mandate of trying to facilitate U.S. company entry into a new market.

5. US&FCS should develop meaningful performance measures for all major post activities, services, and products in order to accurately capture the impact of its efforts and initiatives and to help determine the proper level of resources needed by each post.

Just as with the Showcase Europe performance measures discussed under point three above, US&FCS Germany has long recognized and grappled with the need to develop more meaningful gauges of success. This is not a problem inherent to US&FCS/Germany.

In keeping with the "Government Performance and Results Act of 1993" (GPRA), US&FCS currently is exploring options of how to best comply with the act's tenets to implement an annual performance plan by FY99. This plan is expected to include performance measures for US&FCS product and services, such as measuring and quantifying the success of our programs in how they shorten the export market entry time for our business clients. The Acting Assistant Secretary and Director General has submitted a proposal addressing these issues to the Acting Undersecretary for his review and comment.

- 4 -

The post is also undertaking a thorough review of its full trade fair calendar to determine the most effective allocation of resources on behalf of U.S. client firms. Similar analysis will be performed on US&FCS Germany's IBP program. This will include not just the number of events in which the post will participate but also the degree to which it will be involved in the future.

The post also does request U.S. firms participating in the various trade shows to complete evaluation forms to record tangible successes made at the fair or anticipated as a result of their participation.

6. US&FCS Germany should reassess the level of participation in trade fairs and International Buyer Program activities in order to accurately capture the impact of its efforts and initiatives and to help determine the proper level of resources needed by each post.

Trade shows and the International Buyers Program are at the critical core of US&FCS Germany's support for American business. The presence of US&FCS staff at the myriad trade fairs in Germany is the *sine qua non* of our outreach and support for American firms seeking an entry into this market. Almost without exception, in every industrial sector and subsector, the leading trade fair in the world takes place in Germany with exhibitors and buyers representing every geographic region. In any given quarter, there are between three to five *major* events at German fairgrounds, and the number of direct exhibiting U.S. firms ranges from a dozen into the hundreds; U.S. firms and their German representative firms can exceed 1500 as is the case with CeBIT.

Further justification of the importance of trade shows can be found in the number of success stories emanating from these events. More importantly, the international nature of the majority of Germany's trade shows means that Showcase Europe objectives are met through participation of specialists and officers from other European posts. For example, at the Medica trade show in Dusseldorf last November, Commercial Service staff from eight European posts were present to counsel U.S. businesses about export opportunities and the services provided by the Domestic Offices. Likewise, at CeBIT in Hannover in March, US&FCS staff from 15 European posts participated. The most renowned German trade fairs, particularly those under the Showcase Europe banner, provide U.S. firms with a concentration of US&FCS expertise and assistance not normally available at most other trade events.

Unlike many other nationalities, the Germans appear to enjoy group business travel, and the IBP program attracts a growing number of high-caliber, influential business participants -- multiple repeaters, as well as newcomers. The U.S. trade show environment entered through the IBP is extremely fertile ground for making contacts, pursuing leads, and developing success stories. U.S. exhibitors are assured of getting the best exposure possible to the German delegation members under the IBP program.

- 5 -

Although US&FCS Germany strongly believes that trade shows are vitally important, the degree of support can be more fine-tuned in terms of time devoted to the event. US&FCS will, over the coming months, undertake a thorough examination of the trade shows the post has on its CCG events list, to determine which are worthy of continued staff attention, and in what capacity (e.g., some fairs are most important simply for analyzing market trends, a goal accomplished by a short visit and write-up by the relevant specialist). Further, we will look at returns on our investment of resources (e.g., ratio of success stories to events), and examine possibilities for reducing specialists' staff time at events.

7. The SCO and US&FCS headquarters should discuss training needs and, if necessary, agree on redistributing the post budget to allow for adequate training of officers and non-officer employees. Regional training should be used if it will result in cost savings or other efficiencies. The post should also ensure that updated training plans are created for all staff and managers.

Based on the findings of the Inspection report, we infer that the report is referring exclusively to computer and other technical support training. We concur with the recommendation that better training is required in these areas. The SCO recognizes that the largest gap in training needs for US&FCS Germany's American and local staff is in information and communications technology -- both computer skills and Internet use. In Bonn, computer training has been included in its local computer maintenance contract based on the most optimum level of training sophistication possible.

Recognizing the concerns of many posts for better assistance with their computer hardware and software needs, Acting Assistant Secretary and Director General just polled posts worldwide on their information technology needs. The findings of this report will be turned over to the DAS/EPS, who oversees the Office of Information Systems, to review and make recommendations on how we can assist our posts in the best fashion possible, and possibly on a regional basis.

With regard to other training, US&FCS headquarters does have a strict training schedule for all Foreign Service Officers, which ranges from Diversity and Equal Opportunity to Contracting Officer, Security, Language, and ICASS. Similarly, US&FCS headquarters organizes periodic training for locally-hired staff. US&FCS Germany has always encouraged its staff to avail themselves of such training, and one or more staff members have been nominated by the Senior Commercial Officer for *every* session offered. Additionally, US&FCS Germany encourages all newly-hired local staff to enroll in US&FCS' Correspondence Course. At present six staff members, based throughout Germany, are taking the course.

Bonn will also canvas all staff to determine what other types of training they feel they need to be more effective. From the information gathered, Bonn and the constituent posts will prepare training plans for all staff and managers and coordinate any training efforts with those that may be initiated by OIS. Post will have this information and an action plan

- 6 -

completed by August 31, 1997.

8. US&FCS Germany should devote appropriate resources to maintaining its Internet site in order to make it a viable and up-to-date trade promotion tool.

Even before the arrival of the Inspectors, the SCO directed US&FCS Berlin to take the lead in updating and revising the US&FCS Germany Internet site, and Berlin has made great strides in this regard. While the updating was underway, the site was temporarily blocked to avoid confusing the public. The Deputy SCO and Senior Commercial Specialist will travel to Berlin in June for a thorough review of work accomplished to date and the resources needed to complete initial action and keep the US&FCS Germany home page current at all times. OIO/Europe staff is currently assisting the Berlin Office with its homepage improvements, and OIO/HQ recently polled posts worldwide to solicit their opinions about how Internet can be most useful to them. The findings of this report will be forwarded to US&FCS senior management for consideration and any action.

US&FCS Germany has also contributed its comments to US&FCS Lisbon regarding the development of the Showcase Europe website. US&FCS Germany's site is linked to the Showcase Europe site, and it will continue to supply Lisbon with timely information to keep the Showcase site current. US&FCS Bonn has directed its constituent posts to include information on the Showcase Europe site in all counseling (in person, at events and in mailings) with U.S. companies, and will do the same with our Germany website as soon as it is ready for public access.

9. US&FCS Germany should seek, as appropriate, a waiver from BXA to allow its Foreign Service Nationals to conduct Pre-License Checks. In the interim, US&FCS Germany should have American officers conduct all pending checks.

US&FCS Germany agrees that the conduct of PLCs should be carried out fully in accordance with BXA guidelines and now has obtained a copy of the current BXA guidelines which post had formerly not seen. The conduct of all such checks continues to be centrally coordinated by and reviewed in Bonn.

Procedures have been put in place to ensure that all constituent posts are working from the most up-to-date guidelines and are carrying out PLCs in accordance with these rules. When a PLC request is received and forwarded to the appropriate action post, that post is reminded of the date of the most current guidelines, and asked to confirm that they have access to this information. Also, when forwarding the PLC action request, Bonn reminds the action post in writing that BXA requires the check be carried out in person and be performed by a U.S. citizen employee of the USG, consistent with 95 USDOC 03731.

Although Germany is not a target country for the controls cited in the above cable, post

- 7 -

has, nonetheless, initiated a request for a blanket waiver from BXA that would clarify that German national FSN employees may conduct PLCs when post's resources and workload make it unreasonable to have a U.S. citizen visit the site. Moreover, until a blanket waiver or similar statement is received from BXA, post will continue to ensure that a U.S. citizen employee of the USG conducts all PLCs.

- 10. US&FCS headquarters should, within six months, begin implementing a detailed plan for US&FCS Germany staffing. The plan should include decisions on the recommended elimination of the Leipzig office and the future of the Hamburg operation, the eventual shut-down of the Bonn operation, the move of the Bonn post to Berlin, and overall targets for US&FCS Germany set by US&FCS headquarters.**

US&FCS Germany has been working on a revision and expansion to the detailed staffing plan Bonn submitted to headquarters in December, and will continue to place high priority on preparing a planning document that will meet with the approval of US&FCS headquarters. Based on its current and anticipated workload and priorities, post is expected to recommend a staffing pattern that takes into account the factors cited in the Inspection Report, and submit a plan that properly matches resources to market needs. The revised staffing plan should be submitted to the Regional Director by July 15, 1997.

- 11. The SCO should increase his attention and involvement with the implementation of ICASS, in order to identify areas where increases in costs can be minimized and where services can be reduced or otherwise eliminated.**

Under the supervision of the SCO, the Deputy SCO is the person directly responsible for ICASS implementation and oversight in Germany. Traditionally, the Deputy SCO in Germany is responsible in general for administrative operations. It was the Deputy who took ICASS training in London in September 1997 (the SCO attended the weekend Showcase Europe meeting); and the Deputy is the formally acknowledged FCS representative on the ICASS Council for Germany. She has been an active participant in the Council's frequent meetings from its inception, and has demonstrated a keen eye for pointing out inconsistencies, unclear aspects of the service package, and areas where cost savings might be realized. She has already eliminated several tens of thousands of dollars from the FY 1998 ICASS bill, and will continue to remain vigilant to effect savings wherever possible.

Before the introduction of ICASS, the post was under the FAAS system. Bonn was one of the most vigilant posts in the US&FCS to keep its costs to a minimum. The former Deputy SCO, under the supervision of the SCO, constantly challenged FAAS charges and in less than three years was successful in reducing our assessment from \$1 million to \$600,000. We fully expect to maintain that same philosophy and that success rate, where possible, with regard to ICASS.

- 8 -

12. US&FCS should aggressively review options to immediately determine the location of its Berlin and Frankfurt operations. US&FCS should begin discussions with USIS to determine whether the two staffs can efficiently co-locate at the Amerika Haus sites in Berlin and Frankfurt.

The future of USIS operations and locations in Germany have changed considerably in recent months due to the agency's own efforts at downsizing and consolidation, compounded by the latest announcements regarding the reorganization of USIS into the State Department. USIS also points out that it is currently not in a position to make any major decisions about operations.

In Berlin, USIS has located student counseling facilities and other operations in the Amerika Haus, which precludes US&FCS from considering that site. US&FCS is currently exploring several attractive options, including commercial space, all of which will be an improvement over existing space. The SCO traveled to Berlin in January and evaluated alternative sites. The Deputy SCO will travel to Berlin to evaluate further these prospects.

In Frankfurt, USIS does have some unused space in the Amerika Haus, but it is less space than what FCS Frankfurt currently occupies, which would mean severe cramping of facilities should relocation to that site occur. Frankfurt is the one location where USIS is not considering any further downsizing. Co-location with USIS in Frankfurt, in our view, is not practical nor warranted.

Nevertheless, FCS Germany will continue to explore possibilities for physical and manpower resource-sharing with all U.S. Government agencies throughout Germany. For example, USIS has recently closed its Amerika Houses in Munich and Hamburg, and is in the process of moving into the Consulates in both locations. We have tendered the possibility of sharing library resources with USIS.

13. US&FCS Germany should immediately take steps to solidify its working relationship with USIS in Berlin and Frankfurt.

For many years, US&FCS and USIS in Germany have worked extremely well together. The post pro-actively supports USIS' International Visitors and AmParts Programs. The SCO was instrumental in the creation of a private-sector Fulbright Foundation. This close cooperation culminated in 1995 in the establishment of joint Business Information Centers in Amerika Houses throughout Germany, including Frankfurt and Berlin, to which both agencies contributed personnel and resources. The SCO meets with the PAO at least twice weekly and has never heard a complaint about the cooperation between our two agencies. Moreover, the Commercial Attache in Bonn is our liaison with USIS and regularly attends its staff meetings.

Due to FTE resource limitations, US&FCS had to cut back on its direct support for the Business Information Centers in the summer of 1996. This was not well received by

- 9 -

USIS, at a time when it was experiencing its own personnel and resource reductions. This unfortunate happenstance coincided with the visit of the Inspectors.

Notwithstanding the above circumstances, the objective of further solidifying the relationship with USIS has already been put in motion by US&FCS Germany in recent months. Starting with her participation at the September Principal Officers meeting in Berlin, the Deputy SCO has undertaken a concerted effort to explore means by which USIS and FCS could work more closely together throughout Germany. The SCO and Deputy have held several recent discussions with the PAO and Deputy PAO on mutual objectives ranging from business facilitation assistance and query management, to shared programs and resources and possible co-location.

In Frankfurt, where the Deputy SCO has played a more direct role than usual (due to the sudden departure of the PCO in October and delays in securing his replacement), relations between USIS and FCS have improved markedly. For example:

- FCS and USIS cooperated in handling U.S. participation at, and the Charge d'affaires's visit to, the Frankfurt Book Fair in October, as has been done in previous years.
- In January, USIS staff was invited to participate in the Russia/NIS American Business Centers' event organized by FCS.
- In March, FCS and USIS jointly sponsored an event at the Amerika Haus for German chamber of commerce officials, local economic development officials and U.S. state representatives in the Hessen and Baden-Wuerttemberg area, in order to introduce them to the Business Information Center and business facilitation services offered by FCS and USIS.
- In May, the Amerika Haus was again the venue for an FCS event featuring the U.S. Ambassadors from Georgia, Slovenia and Slovakia discussing business opportunities in their respective countries. FCS-USIS cooperation was very much evident in arranging and executing this event.

With regard to Berlin, the current PCO has good relations with USIS, has demonstrated interest in supporting USIS programs in Berlin, and is developing ideas for linking the two programs more tightly in the future. We also fully expect that the harmonious relationship with USIS/Frankfurt will continue after the arrival of the new PCO.

14. US&FCS Germany should ensure that the Berlin and Frankfurt posts observe proper procedures for the handling of deposits, filing information, and maintaining proper inventory records.

Corrective action has already been taken. Bonn counseled Berlin and Frankfurt and the other constituent posts in Germany on proper procedures for the handling of deposits, filing information, and maintaining proper inventory records.

- 10 -

- 15. US&FCS should fill commercial officer positions in Dusseldorf and Frankfurt as soon as possible, and possibly in Hamburg, depending upon the outcome of US&FCS' evaluation of that operation.**

Since last September when the Inspectors were in Germany, US&FCS Germany received permission from US&FCS headquarters to fill the American officer positions in both Dusseldorf and Hamburg with American PSCs. The positions were announced, candidates interviewed, and two individuals with outstanding credentials started work at the end of February. To date we have been very pleased with their performance, and believe we have a workable arrangement in place until such time as US&FCS' FTE count would allow us to replace these PSCs with direct-hire Americans. (Both Dusseldorf and Hamburg PSCs are on one year contracts, with the ability to renew up to a maximum of five years, but were advised before being hired that the contracts could end sooner, should either a direct-hire American be assigned, or the post be closed.) The option to close our post in Hamburg in 1998/99 remains open.

- 16. US&FCS should consider, after a year of experience in Berlin under the new deputy, whether this position might be more appropriately assigned to a post currently without an American officer.**

The new deputy in Berlin arrived at post at the beginning of March. She is a first-tour junior officer who is still on language probation. While we fully agree that, all other things being equal, this position would be of far more use to US&FCS Germany if assigned immediately to another constituent post, the fact remains that it would be a disservice to the officer to reassign her. It would be an extremely rare junior officer who would be able to rise to fulfill all the responsibilities of a PCO, even after a year of on-the-job experience in Berlin. Further, as a junior officer, her tour is for only two years. It would not make economic sense to move an officer for just one year. Moreover, operations are running smoothly in Dusseldorf and Hamburg under the leadership of the recently hired American PSCs.

Nonetheless, US&FCS Germany will take this Inspection recommendation under advisement, and report our views to Washington following the anniversary of her arrival in Berlin.

- 17. US&FCS Germany should seek to resolve staff conflict and morale problems at its constituent posts by identifying concerns and determining appropriate solutions. The SCO should work with the Deputy SCO to establish stronger and more effective communication with staff. Possible solutions could include:**

- facilitating intra-office communication through regular staff meetings,

US&FCS Bonn and constituent posts schedule regular weekly staff meetings. Whenever the SCO and Deputy SCO visit constituent posts, it is common practice

- 11 -

to hold full-staff meetings and discuss all issues with American officers and local hire staff. OIO/EUR Regional Director has raised this issue with the SCO. US&FCS Germany has also instituted a practice of holding annual meetings for its full staff; the latest was in Heidelberg in September 1996, with the next planned for August/September 1997. The SCO will underscore even more the importance of regular group communication.

- providing a constructive atmosphere for staff to relay concerns to American officers at each post and directly to Bonn management when appropriate,

When visiting constituent posts, the SCO and Deputy SCO have made it a point to have individual meetings with all staff members, Americans and locals. At those individual sessions, they have emphasized that the staff should feel free to contact the PCO, the Deputy SCO and/or the SCO with their concerns, no matter how minor.

The need for an open and constructive atmosphere for relaying concerns will also be stressed to the new Frankfurt and Munich PCOs who arrive this summer.

- emphasizing to American officers that management expects fair and professional interaction between themselves and their staffs

The SCO and Deputy have in the past and will continue to encourage even better teamwork among the PCOs and their staffs. The Deputy has counseled one PCO in particular on such matters; this same PCO had been counseled on the same subject many times over the past four years. Again, the situation will improve with the arrival this summer of new PCOs who will be advised to follow good management practices.

- working with American officers to modify difficult or confrontational management styles, and

The SCO and Deputy have counseled American officers as the need has arisen, and will be more vigilant on containing problems in the future. Again we expect the situation at one post in particular to improve when the PCO is rotated this summer.

- alleviating job security concerns through use of multi-year PSC contracts and converting PSCs to permanent positions when possible and deemed prudent.

All of the PSC contracts in Germany are now under multi-year authority, subject only to the availability of funds. Headquarters will consider US&FCS Germany's FTE position as slots become available and on the basis of the revised staffing report discussed in Recommendation 10.